INDEPENDENT HIGHER EDUCATION

Fifth Report

on

Financial and Educational Trends in the Independent

Sector of American Higher Education

1980

by

W. John Minter and Howard R. Bowen

NATIONAL INSTITUTE OF INDEPENDENT
COLLEGES AND UNIVERSITIES
1717 Massachusetts Avenue, N.W.
Washington, D.C. 20036

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FOREWORD

It is a special pleasure for me to introduce this new edition of "Financial and Educational Trends in the Independent Sector of American Higher Education." This is the second of these reports to be published under the auspices of the National Institute of Independent Colleges and Universities (NIICU) -- and its companion organization, the National Association of Independent Colleges and Universities (NAICU) — and we are proud of it!

NAICU was founded in 1976 to serve as "the unified national voice of independent higher education," with primary emphasis on the public policy concerns and interests of independent higher education at the federal level. In 1978, the NAICU Board of Directors established a companion organization, NIICU, separately to conduct public policy research and legal services activities on behalf of independent higher education. One of NIICU's primary missions is to provide continuing assessments of the actual condition of the independent sector on a systematic and objective basis, as exemplified in the biennial reports prepared by W. John Minter and Howard R. Bowen.

When we assumed sponsorship of the Minter-Bowen reports in 1976, we were most gratified that the Lilly Endowment, Inc., awarded a generous grant which made it possible to continue, expand and refine this effort. Continued generous support from the Lilly Endowment, Inc., has permitted us to maintain publication of these reports on a biennial basis.

In the last previous report, issued in 1978, the Lilly support grant enabled the authors to expand their sample of independent colleges and universities to include two major groups which previously were unrepresented -- major research universities and two-year colleges. With this expanded sample, the Minter-Bowen reports provide a much more comprehensive and balanced picture of financial and educational trends throughout the entire independent sector than could be obtained previously. In addition, the authors were able to conduct more detailed analysis of the impact of student financial aid payments upon the fiscal condition of independent colleges and universities -- a matter which is critically important to public policy discussions at both the federal and state levels.

Expansion of the sample has not disturbed the attention to long-term financial and educational trends throughout the independent sector because the authors have taken pains to incorporate prior-year as well as current-year data for the institutions added to the sample -- thus providing a complete six-year data base for all 127 institutions in the sample. Further, in this new report, the authors continue their endeavor to systematically analyze the fiscal condition of independent colleges and universities, in terms of their ability to maintain the integrity of their educational missions and the quality of their educational programs.

Although we now publish the Minter-Bowen reports biennially instead of annually, we are committed to maintaining and annually updating at least the key elements of this data base because of their usefulness in assessing the impact of various public policy proposals on independent colleges and universities. In the two-year interim since the publication of the last report, a series of reports updating and utilizing parts of the Minter-Bowen data have been sponsored by NIICU on various issues, including enrollment trends, social security proposals, and faculty tenure status by age. We hope and intend to maintain this data base in the years immediately ahead because there will be an even more critical need for accurate and timely information on the condition of independent higher education at a time when our national economy seems increasingly beset by the alternating (and sometimes overlapping) problems of inflation and recession, and when the higher education economy is facing a major decline of the 18-to-24-year-old population.

NIICU supports the development of timely and accurate information for both the independent and public sectors of higher education, and we were delighted to lend our support this year to the initiation of separate Minter-Bowen reports on financial and educational trends in public higher education. The first report is forthcoming later this year, under the joint auspices of the American Association of State Colleges and Universities, the National Association of State Universities and Land-Grant Colleges, and the American Association of Community and Junior Colleges.

On behalf of the NAICU/NIICU membership and Board of Directors, I want to express sincere appreciation to W. John Minter and Howard R. Bowen for their continuing outstanding contributions to public understanding of independent higher education, to the members of their advisory group which has helped to shape the analysis, and to the Lilly Endowment, Inc., which has so generously provided the continuing financial support required to produce this uniquely incisive and objective report.

John D. Phillips
NAICU/NIICU President

PREFACE

This report is the fifth of a series on financial and educational trends in the independent (private, non-public) sector of American higher education. The purpose of the series is to monitor the progress of independent colleges and universities regularly and to provide reliable and timely information for the use of government officials, educators, donors, students, faculty, and other persons or groups interested in independent higher education. The study is sponsored by the National Institute of Independent Colleges and Universities, a companion research agency of the National Association of Independent Colleges and Universities. The study was financed by a grant from the Lilly Endowment, Inc.

The first four reports covered the period 1969-70 through 1976-77. In this report, the statistical series and analysis are carried forward through the year 1978-79 and for some data through 1979-80.

The study is based on a stratified sample of 127 accredited institutions representing a universe of about 1,155 colleges and universities. All parts of the independent sector are represented except autonomous professional schools (such as theological seminaries and music conservatories).

The participating institutions have been superbly cooperative in supplying the basic data year after year. The exceptionally high rate of response is gratifying and greatly appreciated.

The sponsorship of the study changed in 1978. Previously the sponsor was the Association of American Colleges. As a result of a change in the mission of AAC and the establishment of the new National Institute of Independent Colleges and Universities, having responsibilities relating primarily to fiscal matters, it was deemed advisable by all parties concerned to transfer the study to the new NIICU. The transfer was made with full cooperation all around. It did result in one important semantic change. In reports issued before 1978, the sector of higher education under review was called "the private sector." In this report it is called "the independent sector." No significance whatever attached to this change. Both words--"private" and "independent"--are meant to be interchangeable, that is, to refer to colleges and universities not under public sponsorship.

For the first time this year, a companion study is being conducted for the public colleges and universities of the United States. The report on the public study may be obtained from John Minter Associates, Inc., Post Office Box 107, Boulder, Colorado 80306.

The following persons and organizations have been supportive and helpful in many ways: John D. Phillips of the National Institute of Independent Colleges and Universities; the officers of the Lilly Endowment, Inc.; and Janet Tanner and Dorothy Pearson of Claremont, California, who assisted in the preparation of the manuscript, and Nancy VanDerveer and Richard Devine of Boulder, Colorado.

The study was designed and executed in consultation with an Advisory Committee whose suggestions and criticisms were extraordinarily helpful. The members of this Committee are:

Earl F. Cheit, University of California, Berkeley
Virginia Fadil, National Institute of Independent Colleges and Universities
Peggy Heim, Teachers Insurance and Annuity Association and College Retirement Equities Fund
Hans H. Jenny, College of Wooster
Sterling M. McMurrin, University of Utah
Morgan Odell, Association of Independent California Colleges and Universities
George Rainsford, Kalamazoo College
William A. Shoemaker, Wheaton College
Richard M. Witter, ACCTion.

Having made these acknowledgments, the undersigned accept full responsibility for the report.

W. John Minter

Howard R. Bowen

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CHAPTER I

INTRODUCTION

This report is the fifth in a series on the financial and educational condition of the independent sector of American higher education. It represents an updating of the previous reports. The criteria and measures used to assess financial and educational condition remain substantially the same but with refinements as new data become available and as new methods and new interpretations are discovered.

The series is based on the conviction that one of the strengths of American higher education is that it is a pluralistic enterprise. It is divided into two main branches, the public sector and the independent or private sector, and each of these branches contains a wide variety of institutions designed to serve different functions and different clienteles. The independent sector, which is the subject of this report, contributes to the system in many ways. It offers competition to an otherwise all-encompassing public system, it provides a center of academic freedom removed from political influence, it is deeply committed to liberal learning, it is concerned for human scale and individual personality, it sets standards, it provides educational leadership, and it saves money for taxpayers. Not every private college or university achieves all of these results, but enough institutions do achieve some of them to make survival of a strong independent sector a major goal in the broad public interest.

Despite its acknowledged achievements, the independent sector is widely believed to be in serious jeopardy. There are many reports that it faces increasing competition from public institutions which are ever more actively seeking enrollments and seeking funds from private sources; it has had to raise tuitions substantially year after year so that the dollar tuition gap between independent and public institutions has widened; its income from gifts and endowments has not kept pace with rising costs; the pool of potential students is contracting; and inflation is having adverse effects. In this report, as in the four preceding ones, we find that trends in enrollment, program, size of staff, and finances remain relatively steady. However, as the years of financial stringency go on, it is evident that the independent sector of higher education is accumulating an increasing amount of deferred maintenance of physical assets and that the compensation of its staff is falling steadily behind that of the labor force in other major industries. It is often asserted that these circumstances threaten to destroy some independent colleges and universities, to drive some into the public sector, and to weaken most.

Given the social importance and vulnerability of the independent sector, it has become an object of deep concern not only for its private donors and sponsors but also for state and federal governments. Many states

have acted on behalf of the independent colleges and universities within their borders. Also, many of the independent institutions have themselves taken steps to strengthen their position through increased effort, improved management, and budgetary adjustments. Nevertheless, the concern remains. Under these conditions, it is a matter of considerable importance to have a regular flow of reliable and up-to-date information about the independent sector.

Scope and Method

The study is limited to accredited, independent, non-profit institutions of higher education of the following types (as defined by the Carnegie Commission on Higher Education):[1]

1. Research Universities I (awarded at least 50 Ph.D.s in 1969-70 and included among the leading 50 universities in financial support of academic science).

   Research Universities II (awarded at least 50 Ph.D.s in 1969-70 and included among the leading 100 universities in financial support of academic science).

2. Doctoral-granting Universities I (awarded 40 or more Ph.D.s in 1969-70 or received at least $3 million in federal funds, and

   Doctoral-granting Universities II (awarded at least 10 Ph.D.s in 1969-70).

3. Comprehensive Universities and Colleges I (enrolled more than 2,000 students and offered a liberal arts program and at least two professional programs) and

   Comprehensive Universities and Colleges II (enrolled more than 1,500 students and offered a liberal arts program and at least one professional program).

4. Liberal Arts Colleges I (selective in admissions standards or among leading institutions in number of graduates later receiving Ph.D.s).

5. Liberal Arts Colleges II (all other liberal arts colleges).

6. Two-year Colleges.

These six types include about 1,157 institutions serving about 1,969,700 students in 1970. They represent 76 percent of the institutions and 92 percent of the enrollment in the independent sector.

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[1] A Classification of Institutions of Higher Education (Berkeley: Carnegie Commission on Higher Education, 1973). A new edition of this report was published by the Carnegie Council on Policy Studies in Higher Education in 1976. For reasons relating to continuity of the sample, we have continued to use the earlier edition.

The excluded types of institutions are specialized professional schools (such as music conservatories and theological seminaries). These were not included because of special issues and problems requiring detailed study beyond the limits of available resources.

The study is based on a sample of 127 institutions representing 11.7 percent of the 1,157 institutions in the population. The sample was drawn to insure representation of the several types of institutions, of four broad regions of the country, and of institutions of various sizes as measured by enrollment. The participating institutions are listed at the end of this chapter.

In the preparation of this report, the participating institutions were asked to submit copies of the following documents:

Higher Education General Information Survey (HEGIS)
Enrollment, Salaries, Finance

Salary information as submitted to AAUP

Audited financial statement and supporting schedules

Voluntary support survey.

In addition, each was asked to respond to a questionnaire, parts of it to be filled out by the director of admissions, chief student aid officer, chief academic officer, housing director, chief financial officer, a senior faculty member, the president or chancellor, and two students.

The study is based primarily on the tabulation and analysis of these documents. As would be expected, the rate of response has varied for different documents and different questions. For some items, particularly financial and enrollment data, the response has been almost perfect. For some other items, the response has been less but nevertheless remarkably good--in almost all cases above 70 percent. In our judgment, the data are dependable.

In the analysis of the data, emphasis is given to indicators reflecting changes over time in the condition of the independent sector. The basic question to be answered is: In what ways are the independent colleges and universities gaining ground, holding their own, or losing ground? The analysis is in three parts: (1) consolidated trends for all institutions; (2) comparative trends for different types of institutions; and (3) estimates of the overall condition of each institution included in the sample.

The data derived from the sample for any given type of institution are weighted to produce reasonably reliable estimates for the total population of independent institutions of all kinds. Six sets of weights are used, each applied to a particular kind of data as follows:

Data pertaining to:	Weighting factor:
Students	enrollments (full-time equivalent)
Faculty	number of faculty (full-time equivalent)
Administrative and general service staff	number of employees (full-time equivalent)
Revenues and expenditures	total expenditures
Assets and liabilities	total assets
Opinions	number of institutions

The actual numerical weights are presented in the tabulation on page 5.

As can be readily seen, there are considerable differences in the distribution of the several weights among the six types of institutions. For example, with respect to assets and expenditures, the Research Universities are overwhelming; with respect to number of institutions, the Liberal Arts Colleges II are dominant, etc.

These weights are important primarily in calculating the aggregate figures for all six types of institutions combined. Such aggregate figures are usually intended to describe the experience or behavior of the entire independent sector of higher education taken as a whole. Many readers will find separate data for the several types of institutions more interesting than the aggregate data. This weighting procedure does not affect separate data for each institutional type.

The data are frequently expressed as index numbers. An index number simply expresses the percentage relationship between a datum for a given year and the corresponding datum for a base year. For example, if total expenditures for a particular group of colleges in 1969-70 were $100 million and in 1979-80 were $150 million, the index numbers would be 100 for 1969-70 and 150 for 1979-80. On the basis of these numbers one could say that expenditures had increased 50 percent over the period from 1969-70 to 1979-80.

The sources of financial data for this survey are audited financial statements and supporting schedules supplied by the institutions. These statements have been revised to meet standard definitions established by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers. During the revision, the study staff has been in contact with the financial officers of the institutions to clear up ambiguities or to obtain missing data. The finally revised documents have been verified by the financial officers of the reporting institutions.

NUMERICAL WEIGHTS

Weighting Factor	Research Universities	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Total
Enrollments	.186	.159	.265	.091	.237	.062	1.000
Number of Faculty	.322	.161	.177	.090	.204	.046	1.000
Number of Administrative and General Service Staff	.484	.197	.136	.066	.100	.018	1.000
Total Expenditures	.590	.164	.074	.066	.081	.025	1.000
Total Assets	.617	.132	.062	.094	.073	.023	1.000
Number of Institutions	.030	.026	.125	.125	.472	.221	1.000

List of Institutions in Sample

Research Universities

Brandeis University - MA
Catholic University - DC
Harvard University - MA
Johns Hopkins University - MD
University of Pennsylvania - PA
Princeton University - NJ
Rice University - TX
University of Southern California -CA
Tulane University - LA
Washington University - MO
Yale University - CT

Doctoral-Granting Universities

Adelphi University - N.Y.
Dartmouth College - N.Y.
University of Denver - CO
Drexel University - PA
Georgetown University - DC
Marquette University - WI
University of Notre Dame - IN
University of the Pacific - CA
Southern Methodist University - TX
University of Tulsa - OK

Comprehensive Universities and Colleges

Abilene Christian College - TX
Baldwin-Wallace College - OH
Capital University - OH
University of Dayton - OH
Drake University - IA
Elmira College - N.Y.
Fairleigh Dickinson University - N.J.
Geneva College - PA
Gonzaga University - WA
University of Hartford - CT
Iona College - N.Y.
Lafayette College - PA
Merrimack College - MA
Oklahoma Baptist University - OK
Ouachita Baptist University - AR
Pacific Lutheran University - WA
University of Puget Sound - WA
Roger Williams College - R.I.
Russell Sage College - N.Y.
St. Lawrence University - N.Y.
St. Norbert College - WI
University of Santa Clara - CA
Simmons College - MA
Suffolk University - MA
Texas Wesleyan College - TX
Trinity University - TX
Tri-State College - IN
Union College - N.Y.
Valparaiso University - IN
Villanova University - PA

Liberal Arts Colleges I

Allegheny College - PA
Augustana College - IL
Carleton College - MN
Colorado College - CO
Davidson College - N.C.
Hamilton College - N.Y.
Kalamazoo College - MI
Kenyon College - OH
Macalester College - MN
Mt. Holyoke College - MA
College of New Rochelle - N.Y.
Oberlin College - OH
Randolph-Macon Woman's College - VA
Reed College - OR
Ripon College - WI
Rosemont College - PA
St. Olaf College - MN
Salem College - N.C.
Washington and Lee University - VA
Westminster College - MO
Wheaton College - MA
Whitman College - WA
Williams College - MA

Liberal Arts Colleges II

Belmont Abbey College - N.C.
Bennett College - N.C.
Berry College - GA
Bethel College - KS
Bryan College - TN
Clark College - GA
Curry College - MA
Dominican College of Blauvelt - N.Y.
Elmhurst College - IL
Fisk University - TN
George Fox College - OR
Marian College of Fond du Lac - WI
Meredith College - N.C.
Milligan College - TN
Millsaps College - MS
North Central College - IL
Northwestern College - IA
Paine College - GA
Presbyterian College - S.C.
Paul Quinn College - TX
Regis College - CO
Rivier College - N.H.
Rust College - MS
St. Paul's College - VA
Shaw University - N.C.
Stephens College - MO
Talladega College - AL
Tarkio College - MO
Unity College - ME
Upsala College - N.J.
Westmont College - CA
Wilmington College - OH

Two-Year Colleges

Central College - KS
Central YMCA Community College - IL
Concordia College - OR
Dean Junior College - MA
Hannibal-LaGrange College - MO
Hesston College - KS
Keystone Junior College - KY
Lees Junior College - KY
Lon Morris College - TX
Missouri Baptist College - MO
Mt. Saint Clare College - IA
Northeastern Christian Jr. College - PA
Pierce Junior College - PA
Reinhardt College - GA
Ricks College - ID
St. Catherine College - KY
Southern Baptist College - AR
Waldorf College - IA
Wesley College - DE
Wood Junior College - MS
Young Harris College - GA

CHAPTER II

ENROLLMENT AND ADMISSIONS

Perhaps the most conspicuous mark of a healthy college or university is the capacity to attract and hold students. Among the most important indicators signaling impending or actual distress are declining enrollments, declining numbers of applicants, and increasing student attrition. In this chapter we review trends in enrollments, admissions, and attrition over the period 1969-70 to 1979-80.

Enrollment

As shown in table 1, total enrollments in independent colleges and universities have exhibited a slow upward trend which continued in 1979-80. Though there have been minor decreases in particular years for various types of institutions, the underlying trend for all types has been slowly upward. The stable slow growth of independent college enrollments is due in part to the practice in many institutions of setting ceilings on numbers of students --thus avoiding large increases--and of intensifying recruitment efforts in case enrollment falls short of expectations--thus avoiding large decreases. The relative stability of total enrollment, however, conceals considerable fluctuation from year to year in the "mix" of students (see table 1). In general, the trend has been toward an increasing proportion of graduate, professional, and other (mainly non-degree part-time) students, and a decreasing proportion of regular full-time undergraduate students. The relative change in the mix of students has been especially pronounced among the Liberal Arts Colleges II.

Admissions

The admissions situation for undergraduate students held fairly steady during the past two years (table 2). The long-term upward trend in completed applications continued, and so also did the number of applicants offered admission and number of new undergraduate students actually enrolled. Consistent with these trends, there was also a slow downward trend in offers of admission to the freshman class as a percentage of completed applications received. On the other hand, entering freshmen as a percentage of admissions offered declined.

As shown in tables 2 and 3, the academic ability of students as measured by rank in high school class was generally sustained. The SAT scores did drop but about in proportion to the decline in the national average of these scores (see table 4). However, as shown in table 3, there were some

TABLE 1

OPENING FALL ENROLLMENT, FULL-TIME EQUIVALENTS, BY TYPE OF INSTITUTION,
1969-70 to 1979-80[1]
(Index Numbers: 1969-70 = 100)

	A U T U M N								
	1969	1971	1973	1974	1975	1976	1977	1978	1979
Five Types of Institutions Combined:									
Freshmen and Sophomores	100	105	102	103	106	107	108	110	110
Juniors and Seniors	100	104	103	103	107	109	109	109	112
Sub-total: Undergraduates	100	105	103	103	106	108	109	110	111
Graduate Students	100	99	103	103	107	105	106	99	109
Professional Students	100	132	155	156	165	165	178	186	189
Other	100	110	91	97	127	90	119	117	115
Sub-total: Graduates, Professional, Other	100	105	112	115	125	119	128	116	141
Grand Total: All Students	100	106	106	107	111	111	113	113	115
Research and Doctorate-Granting Universities:									
Freshmen and Sophomores	100	102	105	108	110	110	111	113	114
Juniors and Seniors	100	100	101	102	111	119	120	120	122
Sub-total: Undergraduates	100	101	103	104	109	113	114	115	116
Graduate Students	100	94	97	97	100	100	99	93	106
Professional Students	100	128	153	165	166	166	185	184	190
Other	100	122	90	97	131	68	94	94	93
Sub-total: Graduates, Professional, Other	100	102	109	112	122	117	126	111	134
Grand Total: All Students	100	103	107	109	113	114	116	116	118
Comprehensive Universities and Colleges:									
Freshmen and Sophomores	100	106	96	96	97	97	101	103	102
Juniors and Seniors	100	106	102	101	101	98	98	97	99
Sub-total: Undergraduates	100	106	99	98	99	98	100	101	101
Graduate Students	100	131	139	137	140	123	140	125	148
Professional Students	100	163	198	208	214	216	217	203	215
Other	100	82	114	91	114	114	137	135	135
Sub-total: Graduates, Professional, Other	100	125	149	144	154	145	159	124	168
Grand Total: All Students	100	110	107	106	109	106	110	109	111

TABLE 1 (Continued)

	AUTUMN								
	1969	1971	1973	1974	1975	1976	1977	1978	1979
Liberal Arts Colleges I:									
Freshmen and Sophomores	100	104	107	108	109	113	116	118	119
Juniors and Seniors	100	103	111	112	116	117	118	120	122
Sub-total: Undergraduates	100	104	109	110	112	115	117	119	120
Graduates, Professional, Other	100	167	136	137	144	136	138	122	150
Grand Total: All Students	100	106	110	111	113	115	117	119	118
Liberal Arts Colleges II:									
Freshmen and Sophomores	100	105	98	99	101	101	101	103	100
Juniors and Seniors	100	105	102	103	104	104	104	107	115
Sub-total: Undergraduates	100	105	101	101	102	102	102	104	106
Graduates, Professional, Other	100	113	145	191	266	279	329	354	380
Grand Total: All Students	100	103	100	101	104	105	106	108	109
Two-Year Colleges:									
Grand Total	100	118	118	118	128	129	132	129	134

[1]Based on returns from 119 of 135 institutions.

TABLE 2

RECRUITMENT AND ADMISSION OF UNDERGRADUATE STUDENTS,
1973-74 THROUGH 1979-80
SIX TYPES OF INSTITUTIONS COMBINED

	AUTUMN					
	1973-1974	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980
1. Number of completed applications received for admission to freshman class	100	105	108	113	119	123
2. Number of applicants offered admission to freshman class	100	102	104	107	110	113
3. Number of full-time equivalent new freshmen actually enrolled	100	103	102	103	103	106
4. Number of full-time equivalent new undergraduate transfer students actually enrolled	100	102	100	101	100	101
5. Number of full-time equvalent new undergraduate students, freshman and transfer, actually enrolled	100	103	103	103	103	105
6. Offers of admission to the freshmen class as percentage of completed applications received	--	75%	74%	73%	72%	71%
7. Entering freshmen as percentage of admissions offered	--	60%	60%	59%	57%	57%
8. Average Combined Scholastic Aptitude Test (SAT) Scores of entering freshmen	1010	1010	1008	1007	999	1000
9. Percentage of entering freshmen by rank in high school class:						
Top fifth	49%	50%	50%	51%	50%	50%
Second fifth	23	21	22	22	23	23
Third fifth	15	15	14	14	15	15
Lowest two-fifths	13	14	14	13	14	13

TABLE 3

SCHOLASTIC APTITUDE TEST (SAT) SCORES AND RANK IN HIGH SCHOOL CLASS, ENTERING FRESHMEN, BY TYPE OF INSTITUTION, 1973-74 TO 1979-80

		Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
SAT Combined Scores							
1973-74 Autumn		1111	1006	1140	902	826	1019
1975-76 Autumn		1099	996	1124	889	828	1010
1977-78 Autumn		1102	999	1120	878	829	1007
1978-79 Autumn		1099	997	1109	873	764	999
1979-80 Autumn		1101	1002	1104	869	769	1000
Percentage by Rank in High School Class:							
Top fifth	1973-74	64%	45%	62%	37%	10%	49%
	1975-76	66	44	62	37	10	50
	1977-78	69	44	62	38	12	51
	1978-79	69	43	60	37	12	50
	1979-80	69	45	60	36	9	50
Second fifth	1973-74	20	27	21	26	22	23
	1975-76	19	27	21	22	20	21
	1977-78	18	28	21	22	20	22
	1978-79	19	28	21	23	20	23
	1979-80	18	28	21	23	25	23
Third fifth	1973-74	8	17	10	20	32	15
	1975-76	8	18	10	21	33	15
	1977-78	7	19	9	20	34	14
	1978-79	7	21	11	23	34	15
	1979-80	7	20	11	20	35	15
Bottom two-fifths	1973-74	8	11	7	17	36	13
	1975-76	7	11	7	21	37	14
	1977-78	6	9	8	20	34	13
	1978-79	6	9	9	17	34	12
	1979-80	7	8	11	21	36	13

TABLE 4

NATIONAL AVERAGE SCORES ON SAT COLLEGE ADMISSION TESTS
AS COMPARED WITH AVERAGE SAT SCORES FOR THE
SAMPLE OF INSTITUTIONS INCLUDED IN THIS STUDY

Year in Which Test Administered[1]	SAT Scores National Average Scores	SAT Scores National Average Index[2]	SAT Scores Averages for Sample Scores	SAT Scores Averages for Sample Index
1973-74	918	100.0	1019	100.0
1974-75	906	98.7	1018	99.9
1975-76	903	98.4	1010	99.1
1976-77	899	97.9	1008	98.9
1977-78	897	97.8	1007	98.8
1978-79	894	97.5	999	98.0
1979-80	--	--	1000	98.1

[1] One year before admission to college.

[2] Index Numbers: 1973-74 = 100.

differences among the five types of institutions in trends in high school class rank of entering freshmen. The research and doctorate-granting institutions gained, the comprehensive institutions and the liberal arts colleges II held steady, the liberal arts colleges I and the two-year colleges lost ground. These differences were small, however, and our overall conclusion is that undergraduate admissions in numbers and quality of students held steady or even improved a bit over the past several years including the two most recent years.

An indication of the pressure on institutions to recruit students is the size of the admissions staffs and the ratio of new students enrolled to number of admissions personnel. The relevant statistics are shown in table 5. For all institutions combined, the number of persons on the admissions staffs has been increasing but so have been the rates of new students to admissions staff numbers. The situation varies, however, for different types of institutions. The admissions staffs have been growing in the research and doctorate-granting institutions and the liberal arts colleges II, and declining in the other institutional categories. The productivity of these staffs as measured in students enrolled per staff member has been growing in all categories except the comprehensive universities and colleges. Taken together, these indices suggest that on the whole the admissions situation is about steady.

An important new indicator relating to admissions is the percentage of all high school graduates who became freshmen in various types of private colleges and universities. Data covering the years 1975 to 1979 are shown in table 6. Over this period, the private sector as a whole managed to increase its "share of the market" from 15.1 to 16.2 percent. The gains were concentrated in the liberal arts and two-year colleges but no category of institutions suffered a decline in its market share.

Student Attrition

The main source of information about attrition is the percentage of undergraduate students who left college without graduating. As table 7 shows, for all institutions combined there was a small decrease in this percentage in 1975-76 and no change since then. There were small variations for other types of institutions, but no consistent increases in attrition. The independent sector continues to hold steady with respect to student dropouts.

Overall Enrollment Situation

The participating institutions were asked if they would have preferred to enroll additional students, and, if so, how many. The responses, presented in table 8, show a marked decline in the number of institutions indicating that they would have liked to enroll additional students, and a significant increase in the number answering "no." Moreover, for those reporting how many additional students they would have liked to accommodate, the percentages desired were on the whole quite small except in the Liberal Arts Colleges II and the Two-Year Colleges.

TABLE 5

CHANGES IN THE SIZE OF THE ADMISSIONS STAFF, BY TYPE OF INSTITUTION, 1974-75 TO 1979-80

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Index: Number of persons (full-time equivalent) on admissions staff						
1974-75	100	100	100	100	100	100
1975-76	111	116	108	111	106	112
1976-77	110	109	119	111	106	111
1977-78	112	112	117	116	114	113
1978-79	115	109	116	122	107	115
1979-80	116	106	113	122	105	115
Ratio between number of new students enrolled and number of persons on admissions staff						
1974-75	95:1	143:1	59:1	71:1	81:1	97:1
1975-76	74:1	127:1	53:1	64:1	88:1	79:1
1976-77	73:1	135:1	46:1	67:1	82:1	79:1
1977-78	72:1	129:1	48:1	62:1	78:1	77:1
1978-79	75:1	122:1	53:1	65:1	88:1	79:1
1979-80	76:1	123:1	53:1	70:1	85:1	80:1

TABLE 6

FRESHMEN ENROLLED AS A PERCENTAGE OF ALL HIGH SCHOOL GRADUATES, AUTUMN, 1975 TO 1979

	1975	1976	1977	1978	1979
Five types of institutions combined	15.1%	15.3%	15.6%	15.6%	16.2%
Research and doctorate-granting universities	2.3	2.3	2.3	2.3	2.3
Comprehensive universities and colleges	3.5	3.5	3.6	3.4	3.5
Liberal arts colleges I	2.2	2.3	2.3	2.5	2.6
Liberal arts colleges II	5.1	5.2	5.2	5.1	5.3
Two-year colleges	2.0	2.0	2.2	2.3	2.5

TABLE 7

STUDENT ATTRITION, BY TYPE OF INSTITUTION,
1974-75 THROUGH 1978-79

	Percentage of Undergraduate Students Leaving College[1] during or at the end of			
	1974-75	1975-76	1976-77	1978-79
Research and Doctorate-Granting Universities	6%	5%	5%	5%
Comprehensive Universities and Colleges	15	12	12	11
Liberal Arts Colleges I	11	11	11	10
Liberal Arts Colleges II	19	16	17	16
Two-Year Colleges	--	--	13	14
Five Types of Institutions Combined	12	10	10	10

[1]Not including graduates.

TABLE 8

SHORTFALL IN UNDERGRADUATE ENROLLMENT (FULL-TIME EQUIVALENT), 1975-76 THROUGH 1978-79

Responses of Institutions to Question: Would you have preferred to enroll additional students?					For those reporting preference for more students, percentage increase in enrollment that could have been accommodated without significant additions to faculty, housing, classrooms.
	Yes	No	No Answer	Total	
Research and Doctorate-Granting Universities:					
1977-78	10	5	6	21	1%
1979-80	3	6	12	21	3
Comprehensive Universities and Colleges:					
1975-76	20	8	4	32	15
1976-77	19	5	8	32	7
1977-78	20	9	3	32	8
1979-80	14	10	9	33	3
Liberal Arts Colleges I:					
1975-76	13	10	1	24	9
1976-77	11	11	2	24	13
1977-78	11	11	2	24	7
1979-80	4	10	8	22	3
Liberal Arts Colleges II:					
1975-76	24	5	5	34	13
1976-77	28	2	4	34	20
1977-78	24	3	7	34	11
1979-80	16	6	13	35	13
Two-Year Colleges:					
1977-78	16	1	8	25	6
1979-80	12	2	8	22	14
Five Types of Institutions Combined:					
1977-78	81	29	26	136	n.a.
1979-80	49	34	50	133	n.a.

Finally, the institutions were asked to forecast their undergraduate enrollments for the next three years (see table 9). The forecast for the five types of institutions combined was a two percent increase over the three-year period. The largest increase, 5 percent, was projected by the Liberal Arts Colleges

Conclusions

Our study of changes in enrollment and admissions suggests that the independent sector has held its own in 1978-79 and 1979-80. As in previous years there have been no adverse changes of significance and no great leaps forward.

1. Total opening fall enrollments increased over the two-year period by about one percent.

2. Admissions data overall suggest no significant change, certainly no deterioration, in the power of the institutions to attract qualified students.

3. The continuing upward trend in the size of admissions staffs indicates that competition for students is becoming a bit keener year by year; yet the independent sector appears to be able to meet the competition, at least so far.

4. No significant changes were reported in 1978-79 and 1979-80 in rates of student attrition.

The overall enrollment situation remains uncertain, particularly in view of the demographic changes due in the 1980s. However, up to the very beginning of that decade, the independent sector did on the whole maintain its position in both numbers and academic qualifications of its students. The aggregate figures presented in this chapter, however, obscure wide variations in the experience of individual institutions. It must be noted also that greater increases in enrollments over the past few years would have eased the effect of the recent rapid inflation on the finances of the independent institutions.

TABLE 9

INSTITUTIONAL PROJECTIONS OF UNDERGRADUATE ENROLLMENT
(FULL-TIME EQUIVALENT) BY TYPE OF INSTITUTION
(Index Numbers: 1979-80 = 100)

	Actual	Estimated Enrollment		
	1979-80	1980-81	1981-82	1982-83
Five Types of Institutions Combined	100	101	102	102
Research and Doctorate-Granting Universities	100	100	101	100
Comprehensive Universities and Colleges	100	101	101	100
Liberal Arts Colleges I	100	100	100	99
Liberal Arts Colleges II	100	102	104	105
Two-Year Colleges	100	103	104	104

CHAPTER III

FACULTY AND OTHER STAFF

A large proportion of higher educational expenditures are personnel costs. One of the ways institutions may accommodate to changing conditions is to control increases in the payroll. This can be done by adjusting the number of persons employed, compensation rates, or both. In this chapter, we consider changes in the number, compensation, and working conditions of faculty and non-academic staff as possible indicators of financial circumstances in independent higher education.

Faculty Size

The number of full-time equivalent faculty on the payroll, all ranks, has grown slowly in recent years as shown in table 10. The growth of faculty has exceeded by a little the growth rate of full-time equivalent enrollment. As a result, the ratio of students to faculty declined slightly (table 10). One may infer that the number of faculty has been about keeping pace with enrollment and that no retrenchment of faculty has been taking place.

Faculty Compensation

The average compensation of faculty members in current dollars has also increased steadily over recent years. As shown in table 10 the index of faculty compensation rose from 100 in 1973-74 to 141 in 1979-80. Annual increases were usually of the order of 6 percent. During most of the decade, annual increases in faculty compensation came close to keeping pace with the rate of inflation. In years of double-digit inflation, however, the institutions could not muster the resources to keep up with the rate of inflation and in those years the real income of faculty members (in constant dollars) fell behind. The first episode of double-digit inflation occurred around 1974-75 when the Consumer Price Index rose by 10 percent and faculty compensation by only 6.3 percent (table 11). The next dose of double-digit inflation came in 1978-79 and 1979-80. In these years, inflation was running at around 10 to 12[1] percent a year and faculty compensation at a little less than 6 percent. As one surveys the whole decade from 1969-70 to 1979-80, it is clear that faculty compensation lost ground relative to the Consumer Price Index and therefore that the real income of faculty was seriously eroded. Specifically, over the decade, faculty compensation increased by 84 percent and the Consumer Price Index advanced by 109 percent. The net result was a loss to faculty over the decade of about 12 percent in the purchasing power of their earnings.

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[1] If the Implicit Price Deflator is used, inflation was running at the rate of 8 to 10 percent a year.

TABLE 10

CHANGES IN NUMBER AND COMPENSATION OF FACULTY,
1973-74 TO 1979-80
FIVE TYPES OF INSTITUTIONS

	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980
Number of FTE[1] faculty on the payroll, all ranks[2]	100	101	103	106	108	110	112
Average compensation[3] per FTE faculty member, all ranks[2]	100	106	113	120	126	134	141
Annual percentage increases in average faculty compensation	4.0%	6.3%	6.2%	6.6%	6.4%	5.8%	5.4%
Ratio: FTE student enrollment to FTE faculty on the payroll	15.0	15.6	15.8	15.4	15.3	14.9	15.1

[1]Full-time equivalent.

[2]Index numbers: 1973-74 = 100.

[3]Includes fringe benefits.

TABLE 11

ANNUAL PERCENTAGE INCREASES IN FACULTY COMPENSATION,
1969-70 THROUGH 1979-80

	Percentage Increases in Faculty Compensation or Salaries			Percentage Increase in Consumer Price Index[4]	Percentage Increases in Average Weekly Earnings, Private Non-agricultural Employment
	Full-Time Equivalent Faculty: Sample of Independent Institutions[1]	Full-Time Faculty Public and Private Institutions Reporting to AAUP[2]	Full-Time Faculty: All Institutions: Public and Private[3]		
1969-70 to 1970-71	8.0%	6.2%	5.4%	5.1%	5.5%
1972-73 to 1973-74	4.0	5.9	5.1	8.7	6.4
1973-74 to 1974-75	6.3	6.4	5.8	10.0	6.0
1974-75 to 1975-76	6.2	6.4	6.0	7.3	6.9
1975-76 to 1976-77	6.6	5.5	4.7	5.8	7.4
1976-77 to 1977-78	6.4	5.9	5.2	6.7	7.9
1977-78 to 1978-79	5.8	7.1	6.2	9.5	7.9
1978-79 to 1979-80	5.4	--	--	12.6[5]	8.6[5]

[1]Data from survey conducted as part of the present study; 100 institutions 1972-73 to 1976-77; 135 institutions from 1976-77 to 1979-80. Refers to total compensation.

[2]AAUP Bulletin, August 1977, p. 155. Refers to total compensation.

[3]National Center for Education Statistics. Refers to salaries.

[4]SOURCE: U.S. Department of Labor. [5]Preliminary; estimated by authors.

Faculty were not the only employed group who lost ground because of inflation. Average weekly earnings of all employees in private non-agricultural employment also did not keep pace with inflation over the decade of the 1970s. However, workers in other parts of the economy fared better than faculty. Whereas faculty compensation increased 84 percent over the decade, average weekly earnings increased by 96 percent.

The decline in the real earnings of faculty was not generally foreseen or intended. The double-digit inflation came unexpectedly. For this reason, institutions could not gear up increases in tuitions, gifts, and endowment earnings promptly enough to finance pay raises commensurate with the inflation. Moreover, with worries about maintaining enrollments, institutions were cautious about raising tuitions for fear of driving students away and on balance losing rather than gaining revenues. If rapid inflation should continue, institutions could doubtless increase their fees and other sources of revenue and grant substantial increases in faculty pay, but it would be hard for them to recover the ground lost in the past two years. One can only conclude that in 1978-79 and 1979-80 faculty have been dealt a severe blow, the competitiveness of the academic community in attracting and holding qualified personnel has been impaired, and the morale of faculty has been damaged.

All that has been said about faculty compensation applies as well to the compensation of administrative staff and general service employees of colleges and universities. It also applies to public colleges and universities which have been caught without enough funds to keep the trend of employee compensation in pace with inflation (tables 12 and 13). However, the public institutions appear to have fared better than the private sector in the past two years.

Part-time Faculty

One of the possible responses of colleges and universities to financial stringency is to substitute part-time for full-time faculty. Part-time persons have always served as adjuncts to regular full-time faculty and have occupied a valued place in academic life. However, at a time of financial stringency they have several special uses: (1) they often are available at lower rates of compensation than full-time faculty; (2) most (96 percent) are on temporary appointments and so are quickly dispensable whenever budget cuts are called for; and (3) they often fit into programs that are attractive to vocationally-oriented students of whom there are many today. The percentage of faculty on part-time appointments is thus, in many cases, an indicator of financial stress.

Unfortunately, there are no figures on numbers of part-time faculty over a period of years, but we have gathered data for the past two years as shown in table 14. These figures are not in full-time-equivalents; rather they refer to numbers of persons employed whether full-time or part-time. What they show is that in independent institutions about one-fifth of all faculty members are part-timers and that the number of these people as a percentage of the total faculty has been rising--at least over the past year.

TABLE 12

AVERAGE FACULTY COMPENSATION
BY TYPE OF INSTITUTION

	1976-77	1977-78	1978-79
Universities[1]			
Public	$22,120	$23,350	$25,420
Independent Non-Church-Related	24,910	26,190	28,510
Independent Church-Related	20,960	21,890	23,390
College I[2]			
Public	20,620	21,830	23,070
Independent Non-Church-Related	19,510	20,790	22,130
Independent Church-Related	17,630	18,550	19,770
College II[3]			
Public	17,890	19,180	19,960
Independent Non-Church-Related	18,100	19,050	20,480
Independent Church-Related	15,880	16,780	17,880

SOURCE: AAUP Bulletin, Summer, 1977, p. 154, and Academe, September 1979, p. 334. Refers to full-time faculty.

[1]Institutions awarding at least 15 earned doctorates per year in at least three non-related disciplines.

[2]Institutions awarding degrees above the bachelor's degree but not qualifying as "universities."

[3]Institutions awarding only the bachelor's degree or equivalent.

TABLE 13

PERCENTAGE CHANGES IN FACULTY COMPENSATION,[1] ALL ACADEMIC RANKS, BY TYPE OF INSTITUTION, 1969-70 THROUGH 1978-79

	1970-71 from 1969-70	1971-72 from 1970-71	1972-73 from 1971-72	1973-74 from 1972-73	1974-75 from 1973-74	1975-76 from 1974-75	1976-77 from 1975-76	1977-78 from 1976-77	1978-79 from 1977-78
Universities[2]									
Public	5.7%	4.3%	4.9%	5.3%	6.3%	6.8%	5.5%	6.0%	7.2%
Independent Non-Church-Related	6.3	4.3	4.2	5.6	5.1	6.5	5.9	5.1	6.5
Independent Church-Related	7.3	4.4	5.8	4.9	5.2	7.1	10.1	5.6	6.8
Colleges Awarding Some Advanced Degrees[2]									
Public	5.5	3.9	5.6	7.1	7.6	6.2	5.1	6.1	7.0
Independent Non-Church-Related	8.7	4.9	4.9	4.9	5.4	5.6	5.3	6.0	5.9
Independent Church-Related	7.5	4.7	5.2	5.3	6.0	6.3	7.1	5.8	7.1
Colleges Awarding Bachelor's Degrees[2]									
Public	6.6	5.7	4.8	5.8	6.5	5.9	5.8	6.7	7.6
Independent Non-Church-Related	6.4	4.4	4.2	4.6	4.8	6.0	5.7	5.6	6.2
Independent Church-Related	7.3	4.1	4.7	4.5	5.1	5.4	5.1	5.4	6.2

SOURCE: AAUP Bulletin, Summer 1971, p. 226; Summer 1972, p. 182; Summer 1973, p. 192; Summer 1974, p. 176; Summer 1975, p. 127; Summer 1976, p. 210; Summer 1977, p. 156. Academe, Summer 1979, p. 333. Refers to full-time faculty.

[1] Includes salaries and fringe benefits.

[2] For description of institutions, see footnote to table 12.

TABLE 14

PART-TIME FACULTY AS PERCENTAGE OF ALL FACULTY,
(FULL-TIME AND PART-TIME),
1978-79 AND 1979-80

	1978-79	1979-80
Research and Doctorate-Granting Universities	21.4%	21.4%
Comprehensive Universities and Colleges	13.4	14.2
Liberal Arts Colleges I	15.6	16.5
Liberal Arts Colleges II	26.7	26.3
Two-Year Colleges	28.3	29.1
Five Types of Institutions Combined	20.9	21.1

Faculty Women

The employment of women on faculties may also be of interest as an indicator of trends in higher education. On the one hand, an increase in the percentage of women employed may signify progress in affirmative action. On the other hand, it may represent an effort of institutions to employ less costly faculty. Whichever interpretation is accepted (doubtless both are valid), the facts as shown in table 15 are: (1) that the employment of women is more common in the liberal arts and two-year colleges than in the universities; (2) that among all types of institutions the percentage of women has been increasing.

Faculty Tenure

Over the period since 1974-75, the percentage of faculty on tenure has been holding fairly steady with minor variations among the several types of institutions (table 16). In the last two years a slow upward trend has apparently been reversed. However, in two categories (the Comprehensive institutions and Liberal Arts Colleges I) the tenure percentage has been creeping slowly upward. The overall figure for 1979-80, 54 percent, would not generally be regarded as excessive or dangerous.

Table 17 shows a breakdown of the tenure percentages by age of faculty. These data reveal some interesting age profiles. Tenure is seldom granted before the age of 30 (except in two-year colleges); from ages 46 to 65, the tenure percentages are roughly 60 to 75 percent (higher in the case of Comprehensive and Liberal Arts I institutions); and after 65 it declines sharply. No substantial change in the tenure percentages for any age group occurred over the period 1977-78 to 1978-79. However, there was a barely perceptible decrease in the percentage for the younger age groups and slight increase for some of the older age groups.

Faculty Turnover

The statistics on faculty turnover, as measured by separations and new appointments, have been somewhat erratic. Overall, separations have been declining and new appointments have been increasing--trends that do not suggest financial stringency. Separations have declined over the past five years from 11 percent of the faculty to 9 percent; and new appointments have increased from 10 percent to 13 percent. The trends have not been the same for the five types of institutions, however. In particular, the Liberal Arts Colleges II show substantial increases in new appointments, perhaps reflecting profound changes in program and growth in these institutions, and the two-year colleges show a dramatic decline in turnover.[1]

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[1]Though the figures for the two-year colleges have been checked and rechecked, we are skeptical of their validity.

TABLE 15

WOMEN AS PERCENTAGE OF ALL FACULTY,
(FULL-TIME AND PART-TIME)
1978-79 AND 1979-80

	1978-79	1979-80
Research and Doctorate-Granting Universities	19.7%	19.8%
Comprehensive Universities and Colleges	23.0	23.8
Liberal Arts Colleges I	25.7	26.7
Liberal Arts Colleges II	36.8	37.0
Two-Year Colleges	36.9	37.5
Five Types of Institutions Combined	25.1	25.5

TABLE 16

DATA RELATING TO THE STATUS OF FACULTY
BY TYPE OF INSTITUTION, 1974-75 TO 1979-80 [1]

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Percentage of Faculty on Tenure						
1974-75	57%	57%	63%	46%	52%	52%
1975-76	58	60	64	48	52	53
1976-77	56	60	63	51	56	55
1977-78	56	61	66	53	54	56
1978-79	57	63	68	48	55	54
1979-80	57	64	67	48	53	54
Faculty Turnover						
Separations as percentage of faculty:						
1974-75	11	9	9	11	13	11
1975-76	10	9	8	11	10	10
1976-77	10	9	7	12	7	10
1977-78	10	8	8	16	7	12
1978-79	9	10	7	14	3	10
1979-80	9	10	6	13	2	9
New Appointments as percentage of faculty:						
1974-75	10	10	8	10	13	10
1975-76	10	9	9	11	9	10
1976-77	11	9	8	13	10	11
1977-78	12	9	9	13	11	11
1978-79	11	10	10	14	6	11
1979-80	11	9	10	18	7	13

TABLE 16 (Continued)

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Student-Faculty Ratios						
Ratios of student enrollment FTE[2] to faculty on the payroll FTE:						
1974-75	13.3	18.7	12.8	15.5	16.3	15.6
1975-76	13.3	17.8	12.8	15.5	17.9	15.8
1976-77	12.6	16.6	13.2	15.2	17.1	15.4
1977-78	12.7	16.9	12.5	15.3	16.6	15.3
1978-79	12.1	17.0	12.7	15.1	15.1	14.9
1979-80	12.0	16.5	12.6	16.0	14.6	15.1

[1]Full-time faculty.

[2]Full-time equivalent.

TABLE 17

PERCENTAGE OF FACULTY ON TENURE, BY AGE GROUPS, 1978-79 AND 1979-80[1]

Age Group	Research and Doctorate-Granting Universities		Comprehensive Universities and Colleges		Liberal Arts Colleges I		Liberal Arts Colleges II		Two-Year Colleges		Five Types of Institutions Combined	
	1978-79	1979-80	1978-79	1979-80	1978-79	1979-80	1978-79	1979-80	1978-79	1979-80	1978-79	1979-80
20-25	0%	0%	0%	0%	0%	0%	0%	0%	11%	10%	0%	0%
26-30	4	2	3	4	1	0	1	0	8	15	3	2
31-35	16	14	20	21	21	20	8	9	41	35	16	15
36-40	41	39	51	54	60	61	29	30	65	61	43	42
41-45	55	55	73	72	77	79	46	43	59	61	58	58
46-50	63	64	79	77	86	86	55	57	61	66	67	68
51-55	67	67	85	85	89	91	69	65	63	62	72	71
56-60	68	71	85	86	92	92	63	65	68	70	73	75
61-65	72	70	91	91	91	96	72	74	55	71	77	77
66-70	38	44	55	50	43	33	50	39	18	17	43	47

[1]Full-time and part-time faculty.

Ratio of Students to Faculty

The work load of faculty as measured by the ratio of students to faculty has been declining slowly over the past several years (table 16). The slow downward trend has been common to all types of institutions (with the possible exception of the Liberal Arts Colleges II) and has been most pronounced among the Research and the Comprehensive Institutions. Further evidence on faculty work load will be presented in chapter IV.

Administrative and General Service Employees

Data on the numbers and compensation of administrative and general service employees are scarce. Little is known about these groups of academic workers. The data in tables 18 and 19 are therefore a contribution to the knowledge of higher education.

As shown in table 18, the numbers of administrative staff have been increasing rapidly. This has probably been due to the growth of personnel in admissions and development work and also to the need for administrators to deal with newer or growing functions such as affirmative action, campus security, career counselling and placement, provisions for the handicapped, women's athletics, reporting to government, etc. The growth in number of administrators may also be due to the reclassification of general service workers. On the other hand, the numbers of clerical and other general service staff have been increasing only slightly indicating that institutions are trying to hold down cost increases by carrying a lean staff of these workers. Overall, the total of administrative and general service workers increased about 4 percent since 1973-74; whereas enrollments during the same period increased by 8 percent.

Table 19 shows the wage and salary increases of administrative and general service staff over the years since 1974-75. If these figures are compared with those in the first column of table 11, it will be seen that the pay of administrators and general service staff has outpaced faculty compensation by about 1 percentage point a year.

Conclusions

The data reported by the institutions on changes in faculty and staff yielded the following conclusions:

1. The size of the faculties is keeping pace with enrollment, perhaps moving slightly ahead (table 16).

2. During the 1970s, faculty compensation would have almost kept pace with the Consumer Price Index had it not been for the years of double-digit inflation of which the last two were the most egregious examples. Faculty lost about 12 percent of their annual purchasing power over the decade, much of it in the past two years. Their compensation has also failed to keep pace with wages and salaries in the economy generally.

3. The percentages of the faculties consisting of part-time persons is growing as also is the percentage consisting of women.

4. The percentage of faculty on tenured appointments had been drifting slowly upward until recently. In the past two years, however, there has been little significant change, possibly some reduction. An analysis of tenure by age groups indicates little change but suggests that there is a bit of tightening up in the granting of tenure.

5. Faculty turnover has been changing. The number of separations has been decreasing and the number of new appointments has been edging upward.

6. The numbers of administrative staff have been increasing rapidly whereas the numbers of clerical and other general service staff have been increasing slightly. Overall, the number of non-teaching staff has increased 3 percent since 1977-78 (table 18).

7. Wages and salaries of administrative and general service staff appear to be rising more rapidly than those of faculty.

TABLE 18

NUMBER OF ADMINISTRATIVE[1] AND GENERAL SERVICE EMPLOYEES,[2]
1973-74 THROUGH 1979-80
(Index Numbers: 1973-74 = 100)

	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980
Research and Doctorate-Granting Universities	100	102	100	99	94	97	100
Comprehensive Universities and Colleges	100	102	103	107	105	101	102
Liberal Arts Colleges I	100	99	105	103	103	105	108
Liberal Arts Colleges II	100	102	105	104	110	110	113
Two Year Colleges	100	99	105	109	107	104	112
Five Types of Institutions Combined:							
Administrative Staff (full-time equivalent)	100	108	106	110	110	113	118
Clerical Staff (head count)	100	99	98	98	98	99	102
Other General Service Staff (head count)	100	100	101	100	100	97	101
Total	100	102	101	101	101	100	104

[1]Full-time equivalent.

[2]General Service Employees include secretarial and clerical employees, tradesmen, and other non-professional and non-administrative workers. Includes head count of full-time and part-time workers.

TABLE 19

MEDIAN[1] PERCENTAGE INCREASES OF WAGES AND SALARIES OF ADMINISTRATIVE AND GENERAL SERVICE STAFF, 1974-75 TO 1979-80

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Administrative Staff:[2]						
1974-75 to 1975-76	7%	7%	6%	7%	--	7%
1975-76 to 1976-77	7	6	6	5	4%	6
1976-77 to 1977-78	5	4	4	2	8	4
1977-78 to 1978-79	8	6	--	7	--	8
1978-79 to 1979-80	5	7	6	9	10	6
Clerical Staff:[3]						
1974-75 to 1975-76	8	7	6	7	--	7
1975-76 to 1976-77	6	5	7	5	7	6
1976-77 to 1977-78	4	6	7	6	6	6
1977-78 to 1978-79	6	6	8	9	9	6
1978-79 to 1979-80	5	8	7	7	9	6
Other General Service Staff:[3]						
1974-75 to 1975-76	7	7	6	7	--	7
1975-76 to 1976-77	8	9	6	6	7	8
1976-77 to 1977-78	3	4	5	1	4	3
1977-78 to 1978-79	6	9	--	--	--	7
1978-79 to 1979-80	6	8	7	5	9	6

[1]Average percentage increase granted by median institution.

[2]Excludes presidents.

[3]Average hourly rate.

CHAPTER IV

EDUCATIONAL PROGRAM: CONTENT AND QUALITY

In preparing each of the four previous reports, we made considerable effort to learn about program changes and thus to obtain evidence about educational expansion or retrenchment. We considered educational trends as important indicators of institutional progress, no less important than data on enrollment or finances.

Findings of the First Four Reports

In the first study, we asked the institutions to report on additions or expansions, and deletions or contractions, of programs. "Programs" were defined as academic departments or majors, research activities, services for students, and academic support programs such as libraries, audio-visual centers, auxiliary enterprises, and public services. We had expected to find considerable retrenchment. Instead we found that additions and expansions exceeded deletions and contractions by ten to one. Only one institution out of 80 respondents had experienced net retrenchment of programs (see pp. 28-31 of the First Report).

In view of these results, we tried in the second study to gather much more information about changes in the content and quality of educational programs. Consistent with the first study we found that new programs and expansions of existing programs continued to exceed deletions and contractions. The educational environment was showing general improvement as reported by senior officials and faculty members. Expectations for the years ahead were overwhelmingly optimistic (see pp. 31-49 of the Second Report).

The Third Report (see pp. 27-32) was consistent with the two prior surveys, showing only that curricular proliferation may have slowed but revealing no evidence of retrenchment. Presidential assessments of the condition of the institutions and the outlook continued to be hopeful--certainly not pessimistic.

Suspicions of retrenchment continued to persist, however, and in the fourth survey we repeated questions asked in the second survey in our further effort to detect any adverse changes in program quality. In addition we conducted telephone interviews with many academic deans and chief business officers probing for evidence of retrenchment not captured by our self-administered questionnaires.

Again the reports did not reveal significant retrenchment, "deterioration" of performance, or worsening of future prospects. However, many did mention two problems: (1) a serious deterioration of the high school

preparation of students admitted, and (2) an increasing interest of students in vocational programs and a corresponding decline in student interest in liberal learning. Nevertheless virtually all the institutions still expressed optimistic views about the future.

In the current (fifth) survey, we have again probed for indications of change in educational quality and performance. We asked a wide range of questions of administrators, faculty, and students. We gave our respondents abundant opportunities to point out emerging problems and weaknesses. Their reponses are presented in this chapter in considerable detail.

Methodological Comment

Before proceeding to review the responses, it may be helpful to describe the data. The basic procedure was to ask several persons at each sample institution whether there had been an increase, decrease, or no change in each of many aspects of the institution's operations. For example, referring to the first item in table 20, chief academic officers and senior faculty members were asked whether there had been an increase, decrease, or no change in the proportion of the faculty with the Ph.D. or equivalent. The responses were recorded as simple percentages.

In addition to these simple percentages, however, another number is shown in the right-hand column of table 20 and labeled "Trend Consensus." This number expresses the degree of change reported by the respondents over the past two years. Each trend consensus is computed simply by subtracting the percentage of respondents reporting "decrease" from those reporting "increase." The difference, which may have a positive or negative sign, indicates the way the trend is running and the degree of change. A large, positive number indicates that most respondents are reporting increases. The trend is strong and positive. A large, negative result indicates the opposite--a strong and negative trend. Small numbers indicate a weak trend which can result from about equal percentages of respondents reporting increases and decreases or from most respondents reporting no change. The sign and size of the trend consensus index thus indicate both the direction and force of a trend, giving each respondent equal weight.

A great many questions were asked in the hope that a general sense of the progress and problems of the institutions would emerge. These questions were directed independently to administrators (chief academic officers and chief student personnel officers), to senior faculty members, and to students (editors of student newspapers and presidents of student bodies). In addition, some broad general questions were directed toward presidents. The results are shown in tables 20 to 26 placed at the end of the chapter. We shall comment only briefly on these tables. The best way for the reader to grasp their message is to peruse them directly. Our commentary will therefore be confined to broad general conclusions.

Faculty: Qualifications, Competence, and Performance

As shown in table 20, the institutions report strong, positive trends in the qualifications, competence, and performance of faculty. A third to a half of the institutions report improvement over the past two years in various aspects of faculty performance, many report no change, and only a handful indicate that some deterioration may have set in. The agreement between the appraisals of the chief academic officers and the senior faculty members is striking. It is notable, however, that senior faculty members are somewhat less optimistic than the chief academic officers about the general competence of new faculty, general quality of faculty performance, concern for advising students, and especially loyalty to the institution.

Table 21 presents responses on faculty work load and working conditions. There was apparently little change in the workoad expressed as number of classroom hours but considerable change in the teaching load expressed in number of students and in advising and committee work. These responses are, however, not wholly consistent with the fairly stable, or slightly declining, ratios of students to faculty as shown in the previous chapter (table 16). Table 21 shows that services for faculty in the form of secretarial assistance, research support, and travel are on the increase. Regarding services for faculty, however, senior faculty members saw the situation in a less favorable light than chief academic officers. Nevertheless, the overall faculty situation as seen by both administrators and faculty has not been deteriorating. The number of institutions reporting progress was considerably greater than the number reporting deterioration.

Instruction: Methods and Quality

The responses of administrators, faculty, and students regarding methods and quality of instruction are presented in table 22. This table is almost one uninterrupted celebration of progress. In nearly every aspect of instruction, quality is believed to be constant or improving and innovative methods to be proliferating. The only possible exceptions are that the percentage of classes taught by regular full-time faculty is said to be declining in many institutions and average class size is said to be increasing in many (though it is hard to square this report with the statistics indicating stable or slightly declining student-faculty ratios). But generally throughout a long list of instructional qualities or characteristics, the number of institutions that purport to be gaining ground greatly exceeds the small handful of institutions that report falling behind. A notable feature of the responses in table 22 is that many institutions reported increases in laboratory-studio instruction, in use of independent study of various types, and in new and innovative forms of instruction. Almost no institutions reported decreases in these less-traditional modes of teaching. Also, a third to a half of the institutions alleged that the overall quality of the learning environment was improving, and only a few indicated that it was deteriorating. From table 22, one would never imagine that there has been a so-called depression in the independent sector of American higher education. Could it be that the financial squeeze has not affected education adversely or that the financial squeeze is less severe than often alleged?

Students: Qualifications, Competence, and Performance

As we have indicated, the academic qualifications of students admitted to the independent sector, as measured by rank in high school class, has held fairly steady over recent years. Average SAT scores have declined but by no more than the drop in the national averages. From these facts we infer that the independent sector may have held its own and perhaps gained slightly in the academic potential of its students as compared to the whole higher educational system. However, high school rank and SAT scores do not tell the whole story about student preparation and performance. To provide more detailed information, we asked the institutions to comment on recent changes in the academic preparation, interests, and overall performance of their students. The responses are presented in tables 23 and 24.

The message conveyed by our data regarding students is that at many institutions their secondary school preparation has been deteriorating, especially their preparation in the skills of reading, writing, and mathematics.[1] Also, at many institutions, students are seen as losing interest in contemporary public affairs, becoming less active politically, becoming heavily oriented toward careers and less so toward liberal learning, and becoming more grade and credit conscious. On the positive side, many institutions report that students are becoming more conscientious in their work, more involved in extracurricular activities, and more loyal to their colleges or universities. The use of drugs appears to be declining and the use of alcoholic beverages to be increasing. Regarding "general academic achievement," the great majority of respondents reported either no change or improvement, though a small minority indicated that overall achievement is declining. It may be significant, however, that a quarter of the faculty members thought that student achievement was declining, nearly a third of student editors reported that participation in extracurricular activities was on the decline, and that 37 percent of the student editors thought that institutional loyalty was deteriorating.

The trends regarding students are indeed mixed. Those pertaining to their preparation is not primarily the fault of the colleges and universities which must accept students as they emerge from the secondary schools.[2] The increasing interest of students in vocational education and their

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[1] One interesting bit of evidence about the decline in student preparation comes from data provided by Alvin C. Eurich. He recently reported on identical reading tests given to freshmen at the University of Minnesota in 1928 and 1978. Some of the results were as follows: (1) in 1928 the average score on one part of the test was 35, in 1978 it was 29; (2) in 1928, 40 percent scored below 26, in 1978, 50 percent scored below 26; (3) in another part of the test, 30 percent scored below 12 in 1928 and 50 percent in 1978; (4) in 1928, 5 percent and in 1978, 1 percent scored above 60. Change Magazine, April 1980, pp. 13-15.

[2] Though colleges and universities which train the teachers and conduct much of the nation's educational research and development and set the colleges admissions standards may be indirectly implicated.

declining interest in liberal learning is a matter of great concern to many independent institutions where liberal education is regarded as their principal business and their main reason for being.

Student Services

The availability of student services in most institutions has been holding steady or expanding as shown in table 25. In only a handful of institutions has there been any significant decline in the services available to students. However, programs for minorities and health services appear to be growing less rapidly than career services, women's services, and psychological counseling. Presumably the programs relating to minorities and health are well established and are no longer growing as rapidly as some of the newer programs. There is no evidence of widespread cutbacks in student services.

Analysis by Types of Institutions

The data on institutional self-assessment of program content and quality by types of institutions were gathered and analyzed. We decided not to present them in detail because they could be repetitious. However, a summary of the "trend consensus" numbers for some of the critical variables is presented in table 26. (The "trend consensus" is computed as the number of institutions reporting an "increase" minus the number reporting a "decrease" for a particular variable.) As shown in the table, the pattern of responses among the five types of institutions was on the whole quite similar.

With few exceptions, the numbers were positive indicating that more gains were being reported than losses. Table 26 does not reveal slippage or deterioration in the quality or performance of any type of institution, though here and there particular categories of respondents did collectively report more decreases than increases. Generally, however, the scores were lower for the Liberal Arts Colleges I than for the other types of institutions. Whether this represents less progress or more rigorous standards of judgment within the Liberal Arts Colleges I is uncertain.

In reviewing table 26, it is noteworthy that two categories of respondents were more severe in their judgments than the others, namely, the senior faculty members and the editors of student newspapers. Could it be that these people would be seeing institutions more realistically than the administrators and the student politicians?

General Assessment of Condition by the Presidents

The presidents have been asked each year to give their assessments of their institutions with respect to three major areas of concern: financial condition, academic condition, and student services. The results are shown in table 27. As in past surveys the overwhelming majority of presidents believe their institutions are either "holding their own" or "gaining ground." This is true for all types of institutions. It is remarkable that the percentage who believe their institutions are gaining ground financially holds steady year after year.

The president of each institution has also been asked each year to give an opinion about the outlook for his or her institution "over the next five years." The responses to this question (table 28) have varied from year to year, but optimism has generally prevailed. Only a handful have reported that they expect serious deterioration, only 5 percent or less have indicated that they think their institutions "will slip a bit," and the great majority have anticipated improvement.

For all institutions combined, there has been no pronounced change over the years since 1975-76. In that year, 88 percent indicated that their institutions will improve "substantially" or "a little." The corresponding number in 1979-80 was 89 percent. In both years, five percent thought their institutions would "slip a bit" or "deteriorate seriously." One cannot make of these presidential assessments a forecast of doom. However, there are certain adverse trends in these responses worth noting:

> The percentage of Research and Doctorate-Granting Universities expecting "substantial improvement" declined from 50 to 25 percent; and the percentage expecting that their institutions would "slip a bit" increased from 0 to 17.[1]
>
> The percentage of Comprehensive institutions expecting substantial or a little improvement declined from 88 percent to 79 percent and the percentage expecting "no change" or will "slip a bit" increased from 12 to 22.

These trends are in our judgment significant--especially the marked increase in the percentage of major private universities anticipating deterioration. The special problem of the major private universities are undoubtedly related in large part to the funding of research, advanced study, hospitals, public service activities.

Conclusions and Summary

The conclusions presented here are based on analyses of responses from the participating institutions regarding recent changes and the outlook for the future with respect to the performance of faculty and students, educational programs, and general institutional conditions. Responses were received from presidents (or chancellors), chief academic officers (academic vice presidents, provosts, or deans), chief student personnel officers (vice presidents for student affairs, deans of students), senior faculty members (chairpersons of faculty senates or of major faculty committees), editors of student newspapers, and student body presidents. The purpose of these inquiries was to discover changes in the range of programs and in institutional performance that might be a signal of deterioration or distress. The conclusions follow:

1. Qualifications, competence, and performance of the faculty in the independent sector are improving with respect to percentage of faculty with Ph.D.s, general competence of new additions to the faculty as compared to previous additions, willingness to adopt innovations, concern for teaching, concern for advising students, productivity in

[1]The number of institutions in the group, however, was only 21.

research and scholarship, and "general quality of performance." The number of institutions reporting that deterioration in these respects is taking place was small except that some senior faculty respondents mentioned a decline in faculty loyalty to their institutions.

2. The academic potential of students in the independent sector appears to be holding about steady as measured by SAT scores and rank in high school class. But the institutions indicate that the secondary preparation of students is deteriorating and also that student interest in careers and grades is increasing and that their interest in liberal learning is slipping. They also report that grade consciousness is on the increase, that the use of drugs is declining, but that the use of alcoholic beverages is increasing. These changes are greatly influenced by nationwide trends to which all of higher education is subject. On the basis of these results one cannot conclude that the independent sector is losing ground, relative to all of higher education, in its power to attract students or in the quality and performance of its students. The declining interest in liberal learning, if it should prove to be persistent, would be a serious threat to the independent sector. However, there are fewer reports indicating a decline in interest in liberal learning than in recent years (table 29).

3. The independent sector appears to be involved in considerable innovation in methods of instruction. Many institutions report gains and few report deterioration in general quality of instruction (see table 29).

4. Many institutions are expanding student services and few are contracting them.

5. A large majority of the institutions, in the opinion of their presidents, are "holding their own" or "gaining ground," in finances, academic excellence, and student services.

6. The expectations of the institutions for the next several years, as expressed by the presidents, are overwhelmingly optimistic. However, 4 percent of the Liberal Arts Colleges II presidents reported in 1979-80 that they thought their institutions would deteriorate seriously in the next five years, and a substantial percentage of the presidents, mainly in the large universities and Comprehensive institutions, expected their institutions to "slip a bit" (table 28).

7. The general inferences from the reports of the institutions is that the independent sector is not deteriorating significantly in its overall performance though budgets are indisputably tight. There is little evidence of retrenchment with respect to the critical elements of sound education, and the general level of confidence or morale is high.

TABLE 20

CHANGES IN QUALIFICATIONS, COMPETENCE, AND PERFORMANCE OF FACULTY, 1978-79 TO 1979-80, AS REPORTED BY CHIEF ACADEMIC OFFICERS AND SENIOR FACULTY MEMBERS, FIVE TYPES OF INSTITUTIONS COMBINED[1]

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Proportion of faculty with Ph.D. or equivalent					
Chief Academic Officers	53%	36%	10%	1%	+43%
Senior Faculty Members	42	43	11	4	+31
General competence of new additions to faculty as compared with previous additions					
Chief Academic Officers	54	38	2	6	+52
Senior Faculty Members	35	45	17	3	+18
Willingness of faculty to innovate					
Chief Academic Officers	35	54	6	5	+29
Senior Faculty Members	51	42	3	4	+48
General quality of faculty performance					
Chief Academic Officers	46	42	5	7	+41
Senior Faculty Members	37	55	3	5	+34
Concern for teaching					
Chief Academic Officers	41	49	3	7	+38
Senior Faculty Members	49	48	1	2	+48
Concern for advising students					
Chief Academic Officers	50	42	5	3	+45
Senior Faculty Members	41	48	9	2	+32
Productivity in research and scholarship					
Chief Academic Officers	27	66	0	7	+27
Senior Faculty Members	30	58	7	5	+23
Loyalty and commitment to institution					
Chief Academic Officers	31	56	5	8	+26
Senior Faculty Members	15	62	22	1	- 7

[1]Based on responses from 80 of 135 institutions.

[2]Percentage of institutions reporting an increase minus percentage reporting a decrease.

TABLE 21

CHANGES IN WORK LOAD, WORKING CONDITIONS, AND SUPPORT SERVICES FOR FACULTY, 1978-79 TO 1979-80, AS REPORTED BY CHIEF ACADEMIC OFFICERS AND SENIOR FACULTY MEMBERS, FIVE TYPES OF INSTITUTIONS COMBINED[1]

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Teaching load in number of classroom hours					
Chief Academic Officers	10%	88%	1%	1%	+ 9%
Senior Faculty Members	12	79	7	3	+ 5
Teaching load in number of students					
Chief Academic Officers	31	63	5	1	+26
Senior Faculty Members	27	62	9	3	+18
Work load in advising, committee work, etc.					
Chief Academic Officers	29	63	6	2	+23
Senior Faculty Members	32	59	8	1	+24
Secretarial and related assistance					
Chief Academic Officers	34	59	3	4	+31
Senior Faculty Members	21	71	7	0	+13
Research support					
Chief Academic Officers	31	62	2	5	+29
Senior Faculty Members	19	71	8	2	+11
Professional travel					
Chief Academic Officers	38	42	18	2	+20
Senior Faculty Members	24	59	15	2	+ 9

[1] Based on responses from 80 of 135 institutions.

[2] Percentage of institutions reporting an increase minus the percentage reporting a decrease.

TABLE 22

CHANGES IN METHODS AND QUALITY OF INSTRUCTION, 1978-79 TO 1979-80, AS REPORTED BY ADMINISTRATORS, FACULTY, AND STUDENTS, FIVE TYPES OF INSTITUTIONS COMBINED[1]

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Overall quality of learning environment					
Chief Academic Officers	52%	45%	1%	2%	+51%
Chief Student Personnel Officers	51	46	0	3	+51
Senior Faculty Members	36	47	9	8	+27
Editor of Student Newspaper	38	37	16	9	+22
President of Student Body[3]	37	52	6	5	+31
General quality of faculty performance					
Chief Academic Officers	46	42	5	7	+41
Senior Faculty Members	37	55	3	5	+34
Rigor of academic standards					
Chief Academic Officers	46	48	2	4	+44
Chief Student Personnel Officers	34	62	1	3	+33
Senior Faculty Members	23	60	11	6	+12
Editor of Student Newspaper	29	39	24	8	+ 5
President of Student Body	30	55	9	6	+21
Rigor of assessing student performance					
Chief Academic Officers	44	50	3	3	+41
Chief Student Personnel Officers	48	41	6	5	+42
Senior Faculty Members	24	61	12	3	+12
Editor of Student Newspaper	32	41	14	13	+18
President of Student Body	34	43	10	13	+24
Percentage of classes taught by regular full-time faculty					
Chief Academic Officers	21	60	15	4	+ 6
Senior Faculty Members	17	52	29	2	-12
Average class size					
Chief Academic Officers	35	57	5	3	+30
Chief Student Personnel Officers	22	65	8	5	+14
Senior Faculty Members	31	57	5	7	+26
Editor of Student Newspaper	39	40	10	11	+29
President of Student Body	39	56	0	5	+39
Amount of laboratory-studio instruction					
Chief Academic Officers	15	74	1	10	+14
Chief Student Personnel Officers	19	66	0	15	+19
Senior Faculty Members	16	79	0	5	+16
Editor of Student Newspaper	37	43	6	14	+31
President of Student Body	23	54	1	22	+22

TABLE 22 (Continued)

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Innovative teaching methods[4]					
Chief Academic Officers	52%	45%	0%	3%	+52%
Chief Student Personnel Officers	50	45	2	3	+48
Senior Faculty Members	43	45	4	8	+39
Editor of Student Newspaper	41	51	3	5	+38
President of Student Body	57	37	0	6	+57
Traditional independent study[5]					
Chief Academic Officers	31	60	6	3	+25
Chief Student Personnel Officers	24	67	3	6	+21
Senior Faculty Members	16	70	10	4	+ 6
Editor of Student Newspaper	25	52	8	15	+17
President of Student Body	33	52	3	12	+30
Non-traditional independent study[6]					
Chief Academic Officers	40	53	4	3	+36
Chief Student Personnel Officers	36	54	3	7	+33
Senior Faculty Members	39	49	4	8	+35
Editor of Student Newspaper	28	39	3	30	+25
President of Student Body	27	47	5	21	+22
Experiential learning[7]					
Chief Academic Officers	58	37	0	5	+58
Chief Student Personnel Officers	54	34	3	9	+51
Senior Faculty Members	56	29	2	13	+54
Editor of Student Newspaper	63	29	3	5	+60
President of Student Body	49	35	2	14	+47

[1]Based on responses from 82 chief academic officers, 285 student personnel officers, 80 faculty members, 59 editors, 77 student body presidents, representing 135 institutions.

[2]Percentage of institutions reporting an increase minus percentage reporting a decrease.

[3]Or other comparable student leader.

[4]Such as audio-visual, computer assisted, personalized instruction, modular systems.

[5]Such as research projects, reading courses, senior theses.

[6]Such as credit by examination and extended degree programs.

[7]Such as combined work-study, clinical training, and internships.

TABLE 23

CHANGES IN ACADEMIC PREPARATION OF STUDENTS ADMITTED, 1978-79 TO 1979-80, AS REPORTED BY CHIEF ACADEMIC OFFICERS, CHIEF STUDENT PERSONNEL OFFICERS, SENIOR FACULTY MEMBERS, AND STUDENT LEADERS, FIVE TYPES OF INSTITUTIONS COMBINED[1]

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Reading skills					
Chief Academic Officers	17%	49%	25%	9%	- 8%
Chief Student Personnel Officers	7	62	22	9	-15
Senior Faculty Members	14	50	34	2	-20
Editor of Student Newspaper	18	45	22	15	- 4
President of Student Body[3]	17	47	16	20	+ 1
Writing skills					
Chief Academic Officers	14	45	31	10	-17
Chief Student Personnel Officers	7	57	26	13	-19
Senior Faculty Members	6	37	39	18	-33
Editor of Student Newspaper	29	19	43	9	-14
President of Student Body	18	38	23	21	- 5
Mathematical skills					
Chief Academic Officers	10	30	40	20	-30
Chief Student Personnel Officers	11	54	19	16	- 8
Senior Faculty Members	7	32	33	28	-26
Editor of Student Newspaper	20	43	7	30	+13
President of Student Body	22	40	12	26	+10
Humanistic and social studies preparation					
Chief Academic Officers	10	50	10	30	0
Chief Student Personnel Officers	12	55	12	21	0
Senior Faculty Members	4	64	25	7	-21
Editor of Student Newspaper	18	44	10	28	+ 8
President of Student Body	24	44	10	22	+14
Science preparation					
Chief Academic Officers	10	50	20	20	-10
Chief Student Personnel Officers	7	60	6	27	+ 1
Senior Faculty Members	12	55	23	10	-11
Editor of Student Newspaper	12	38	11	39	+ 1
President of Student Body	15	48	4	33	+11

[1]Based on responses from 82 chief academic officers, 285 student personnel officers, 80 faculty members, 59 editors, 77 student body presidents, representing 135 institutions.

[2]Percentage of institutions reporting an increase minus percentage reporting a decrease.

[3]Or other comparable student leader.

TABLE 24

CHANGES IN STUDENT ACHIEVEMENT AND INTERESTS, 1978-79 TO 1979-80, AS REPORTED BY ADMINISTRATORS, FACULTY, AND STUDENTS, FIVE TYPES OF INSTITUTIONS COMBINED[1]

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Conscientious work					
Chief Academic Officers	37%	40%	12%	11%	+25%
Chief Student Personnel Officers	40	50	7	3	+33
Senior Faculty Members	27	57	13	3	+14
Editor of Student Newspaper	32	46	14	8	+18
President of Student Body[3]	28	48	13	11	+15
General academic achievement					
Chief Academic Officers	39	43	9	9	+30
Chief Student Personnel Officers	29	63	3	5	+26
Senior Faculty Members	22	52	24	2	- 2
Editor of Student Newspaper	29	45	14	12	+15
President of Student Body	29	47	17	7	+12
Participation in extracurricular activities					
Chief Academic Officers	28	48	15	9	+13
Chief Student Personnel Officers	34	54	11	1	+23
Senior Faculty Members	30	50	12	8	+18
Editor of Student Newspaper	28	36	31	5	- 3
President of Student Body	49	22	23	6	+26
Interest in contemporary public affairs					
Chief Academic Officers	23	50	16	11	+ 7
Chief Student Personnel Officers	25	52	18	5	+ 7
Senior Faculty Members	32	41	24	3	+ 8
Editor of Student Newspaper	38	27	19	16	+19
President of Student Body	41	31	19	9	+22
Political activism					
Chief Academic Officers	4	58	28	10	-24
Chief Student Personnel Officers	14	45	38	3	-24
Senior Faculty Members	22	41	30	7	- 8
Editor of Student Newspaper	26	35	22	17	+ 4
President of Student Body	21	43	26	10	- 5
Loyalty to institutions					
Chief Academic Officers	26	57	7	10	+19
Chief Student Personnel Officers	35	55	8	2	+27
Senior Faculty Members	23	61	12	4	+11
Editor of Student Newspaper	19	36	37	8	-18
President of Student Body	32	43	19	6	+13

TABLE 24 (Continued)

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Orientation toward careers					
Chief Academic Officers	62%	26%	4%	8%	+58%
Chief Student Personnel Officers	70	26	3	1	+67
Senior Faculty Members	57	35	2	6	+55
Editor of Student Newspaper	71	18	4	7	+67
President of Student Body	77	13	8	2	+69
Orientation toward liberal learning					
Chief Academic Officers	23	44	25	8	- 2
Chief Student Personnel Officers	11	48	39	2	-28
Senior Faculty Members	15	42	36	7	-21
Editor of Student Newspaper	16	35	37	12	-21
President of Student Body	29	35	28	8	+ 1
Grade and credit consciousness					
Chief Academic Officers	42	44	4	10	+38
Chief Student Personnel Officers	58	34	0	8	+58
Senior Faculty Members	51	42	4	3	+47
Editor of Student Newspaper	55	28	13	4	+42
President of Student Body	51	42	4	3	+47
Use of drugs					
Chief Academic Officers	11	33	25	31	-14
Chief Student Personnel Officers	14	38	40	8	-26
Senior Faculty Members	24	37	13	26	-11
Editor of Student Newspaper	22	23	35	20	-13
President of Student Body	18	31	34	17	-16
Use of alcoholic beverages					
Chief Academic Officers	22	45	10	23	+12
Chief Student Personnel Officers	41	46	9	4	+32
Senior Faculty Members	39	36	1	24	+38
Editor of Student Newspaper	44	28	11	17	+33
President of Student Body	36	44	13	7	+23

[1]Based on responses from 82 chief academic officers, 85 student personnel officers, 80 faculty members, 59 editors, 77 student body presidents from 135 institutions.

[2]Percentage of institutions reporting an increase minus percentage reporting a decrease.

[3]Or other comparable student leader.

TABLE 25

CHANGES IN AVAILABLE STUDENT SERVICES, 1978-79 TO 1979-80, AS REPORTED BY STUDENT PERSONNEL OFFICERS AND STUDENTS, FIVE TYPES OF INSTITUTIONS COMBINED[1]

	Percentage of Reporting Institutions				
	Increase	No Change	Decrease	Don't Know	Trend Consensus[2]
Career counseling					
Chief Student Personnel Officers	62%	37%	1%	0%	+61%
Editor of Student Newspaper	54	40	1	5	+53
President of Student Body[3]	71	22	5	2	+66
Career placement					
Chief Student Personnel Officers	48	51	1	0	+47
Editor of Student Newspaper	49	40	2	9	+47
President of Student Body	57	35	1	7	+56
Programs for women					
Chief Student Personnel Officers	36	64	0	0	+36
Editor of Student Newspaper	28	46	11	15	+17
President of Student Body	35	54	2	9	+33
Programs for minorities					
Chief Student Personnel Officers	17	75	4	4	+13
Editor of Student Newspaper	20	37	16	27	+ 4
President of Student Body	20	59	8	13	+12
Psychological counseling					
Chief Student Personnel Officers	39	58	2	1	+37
Editor of Student Newspaper	35	41	10	14	+25
President of Student Body	33	44	5	18	+28
Health services					
Chief Student Personnel Officers	21	76	2	1	+19
Editor of Student Newspaper	10	69	7	14	+ 3
President of Student Body	18	69	11	2	+ 7
Other services					
Chief Student Personnel Officers	32	20	0	48	+32
Editor of Student Newspaper	15	7	1	77	+14
President of student body	22	11	1	66	+21

[1]Based on responses from 59 editors, 77 student body presidents, 85 student personnel officers from 135 institutions.

[2]Percentage of institutions reporting an increase minus percentage reporting a decrease.

[3]Or other comparable student leader.

TABLE 26

CHANGES IN THE CONTENT AND QUALITY OF EDUCATIONAL PROGRAMS, 1978-79 TO 1979-80, AS MEASURED BY "TREND CONSENSUS"[1] BY REPORTING ADMINISTRATORS, FACULTY, AND STUDENTS[2]

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Overall quality of learning environment						
Chief Academic Officers	50%	50%	12%	64%	47%	51%
Chief Student Personnel Officers	36	56	47	56	43	51
Senior Faculty Members	36	27	27	27	23	27
Editor of Student Newspaper	-40	- 8	0	41	29	22
President of Student Body[3]	45	23	44	28	33	31
General quality of faculty performance						
Chief Academic Officers	40	38	18	45	46	41
Senior Faculty Members	27	37	6	36	46	34
Rigor of academic standards						
Chief Academic Officers	30	56	-12	59	40	44
Chief Student Personnel Officers	27	27	24	44	21	33
Senior Faculty Members	36	21	14	9	7	12
Editor of Student Newspaper	20	- 8	- 7	11	0	5
President of Student Body	56	23	22	23	9	21
General academic achievement of students						
Chief Academic Officers	20	39	- 6	46	14	30
Chief Student Personnel Officers	9	17	18	28	36	26
Senior Faculty Members	27	5	20	- 9	- 8	- 2
Editor of Student Newspaper	0	0	0	12	43	15
President of Student Body	11	18	22	5	16	12

[1]Percentage of institutions reporting an increase minus percentage reporting a decrease.

[2]Based on responses from 59 editors, 77 student body presidents, 80 faculty members, 82 chief academic officers, and 85 student personnel officers from 135 institutions.

[3]Or other comparable student leader.

TABLE 27

BROAD GENERAL ASSESSMENTS BY THE PRESIDENTS OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS, 1974-75 THROUGH 1979-80[1]

	Percentage of Reporting Institutions			
	Gaining Ground	Holding Our Own	Losing Ground	Trend Consensus[2]
Financial condition, as assessed in:				
1974-75	30%	48%	22%	8%
1975-76	41	39	20	21
1976-77	49	36	15	34
1977-78	50	42	7	43
1979-80	50	42	8	42
Academic condition, as assessed in:				
1974-75	71	28	1	70
1975-76	56	44	0	56
1976-77	67	32	1	66
1977-78	65	34	0	65
1979-80	78	21	1	77
Quality of student services, as assessed in:				
1974-75	52	45	3	49
1975-76	51	44	5	46
1976-77	42	49	9	33
1977-78	66	32	2	64
1979-80	64	35	2	62

[1]Based on 89 responses in 1974-75, 85 responses in 1975-76, 86 responses in 1976-77 of 100 institutions and 106 responses in 1977-78, 95 responses in 1979-80 of 135 institutions.

[2]Percentage of institutions reporting gaining ground minus percentage reporting losing ground.

TABLE 28

EXPECTATIONS FOR THE NEXT FIVE YEARS AS EXPRESSED BY PRESIDENTS OF PARTICIPATING INSTITUTIONS IN RESPONSE TO THE QUESTION: HOW DO YOU VIEW THE OUTLOOK FOR YOUR INSTITUTION OVER THE NEXT FIVE YEARS?

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Will improve substantially, as assessed in:						
1975-76	50%	27%	28%	52%	--	44%
1976-77	43	21	29	34	--	32
1977-78	15	34	27	30	44%	32
1979-80	25	22	44	44	27	36
Will improve a little, as assessed in:						
1975-76	38	61	60	35	--	44
1976-77	57	67	62	48	--	54
1977-78	69	49	68	65	50	60
1979-80	50	57	50	44	73	53
No change, as assessed in:						
1975-76	12	8	0	9	--	7
1976-77	0	8	0	13	--	9
1977-78	8	11	0	5	6	6
1979-80	8	13	0	8	0	6
Will slip a bit, as assessed in:						
1975-76	0	4	12	4	--	5
1976-77	0	0	9	5	--	5
1977-78	8	6	5	0	0	2
1979-80	17	9	6	0	0	3

TABLE 28 (Continued)

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Will deteriorate seriously, as assessed in:						
1975-76	0%	0%	0%	0%	--	0%
1976-77	0	4	0	0	--	0
1977-78	0	0	0	0	0%	0
1979-80	0	0	0	4	0	2

TABLE 29

SUMMARY OF TREND CONSENSUS RELATING TO CHARACTERISTICS OF STUDENTS AND THE TEACHING-LEARNING ENVIRONMENT, 1976-77 TO 1979-80 AS REPORTED BY CHIEF ACADEMIC OFFICERS, CHIEF STUDENT PERSONNEL OFFICERS, AND SENIOR FACULTY MEMBERS, FIVE TYPES OF INSTITUTIONS COMBINED

	Trend Consensus[1]		
	1974-75 1975-76	1976-77 1977-78	1978-79 1979-80
Trend consensus on changing academic preparation of students:			
Reading skills	-39%	-31%	-14%
Writing skills	-50	-39	-23
Mathematical skills	-20	-20	-17
Humanistic and social studies preparation	- 4	-10	-14
Science preparation	- 4	- 7	- 6
Trend consensus on changing student achievement and interest:			
Conscientious work	40	27	24
General academic achievement	23	11	18
Participation in extracurricular activities	18	25	18
Interest in contemporary public affairs	-17	-20	7
Political activism	-51	-44	-19
Loyalty to the institution	12	20	19
Orientation toward careers	89	80	60
Orientation toward liberal learning	-45	-32	-17
Grade and credit consciousness	58	58	48
Trend consensus on changing methods and quality of instruction:			
Percentage of classes taught by regular full-time faculty	4	51	- 3
Average class size	35	12	23
Rigor in assessing students	10	31	32
Rigor in academic standards	14	30	30
Overall quality of learning environment	38	46	43
Amount of laboratory-studio instruction	30	24	16
Innovative teaching methods	65	54	46
Traditional independent study	38	24	17
Non-traditional independent study	51	40	35
Experiential learning	76	55	54

[1]Percentage of institutions reporting an increase minus percentage reporting a decrease. Based on average of responses of three officials.

CHAPTER V

OPERATING REVENUES AND EXPENDITURES

The operating revenues and expenditures of colleges and universities are accounted for within what is known as "the current fund." The current fund is the accounting vehicle for financing the regular ongoing operations of institutions. Revenues to the current fund are the monies available to pay for current institutional operations, and expenditures from the current funds are those used to support ongoing instruction, administration, student aid, auxiliary enterprises, etc. Excluded from the current fund are monies for capital purposes (for example, new buildings and major equipment), endowment, and reserves. In this chapter, we present data on current fund revenues and expenditures over the period 1973-74 through 1978-79. These data are exceptionally reliable. They are based on audited financial statements of our sample of 127 institutions. These statements have been revised to meet the guidelines of the American Institute of Certified Public Accountants (AICPA) and the National Association of College and University Business Officers (NACUBO), and have been verified by the reporting institutions themselves.[1]

Current Fund Revenues

Changes in current fund revenues over the period 1973-74 through 1978-79 are shown in table 30. Over the five years total current fund revenues for all types of institutions combined increased 61 percent. During the same period, the Consumer Price Index rose 49.6 percent and enrollment increased 6.6 percent (table 1). The combined effect of these two percentages is an increase of 59 percent. Thus, it appears that in recent years revenues of the independent sector as a whole have been at least keeping pace with inflation and with the growth of enrollment.

The trend of revenues, after adjustment for inflation and enrollment growth, also shows up in table 31 which provides data on revenues per student expressed in constant (1973-74) dollars. The index of constant dollar revenue per student for all institutions gained 7 percent over the period 1973-74 to 1978-79. The index was down slightly for Liberal Arts Colleges I and Liberal Arts Colleges II, and above the average for Doctorate-Granting Universities. The differences in trend among types of institutions were so small, and combined trend so flat, as to justify the conclusion that

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[1] For information on definitions and methodology, see the Fourth Annual Report for 1978, pp. 49-50 and Appendix B, pp. 137-44.

TABLE 30

CHANGES IN CURRENT FUND REVENUES
1973-74 TO 1978-79[1]

	Index Numbers: 1973-74 = 100					
	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Research Universities						
Tuition and Fees	100	110	127	140	156	172
State Government	100	116	116	138	133	140
Federal Government	100	111	120	126	136	148
Private Gifts	100	110	115	124	140	158
Endowment Income	100	105	111	120	125	136
All Other Revenues[2]	100	127	140	161	187	210
Sub-total, Educational and General	100	111	122	133	146	161
Auxiliary Enterprises	100	108	121	132	139	153
Total Revenues[3]	100	113	123	134	148	165
Doctorate-Granting Universities						
Tuition and Fees	100	109	123	138	155	171
State Government	100	149	151	152	155	169
Federal Government	100	109	116	124	123	122
Private Gifts	100	110	106	119	145	151
Endowment Income	100	104	105	115	132	148
All Other Revenues[2]	100	114	143	164	191	219
Sub-total, Educational and General	100	110	121	134	149	162
Auxiliary Enterprises	100	108	118	131	142	159
Total Revenues[3]	100	111	123	137	152	167
Comprehensive Universities and Colleges						
Tuition and Fees	100	107	118	127	141	155
State Government	100	122	116	148	142	133
Federal Government	100	117	132	144	176	233
Private Gifts	100	104	111	132	124	126
Endowment Income	100	106	118	127	138	160
All Other Revenues[2]	100	102	98	117	140	177
Sub-total, Educational and General	100	107	117	129	142	159
Auxiliary Enterprises	100	107	116	126	136	148
Total Revenues[3]	100	107	117	128	140	156

TABLE 30 (Continued)

	Index Numbers: 1973-74 = 100					
	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Liberal Arts Colleges I						
Tuition and Fees	100	106	117	128	140	152
State Government	100	131	153	219	229	304
Federal Government	100	103	116	113	124	144
Private Gifts	100	99	116	161	134	134
Endowment Income	100	105	104	116	133	151
All Other Revenues[2]	100	109	98	100	112	127
Sub-total, Educational and General	100	105	115	129	136	148
Auxiliary Enterprises	100	108	117	128	137	149
Total Revenues[3]	100	106	115	129	137	149
Liberal Arts Colleges II						
Tuition and Fees	100	110	123	133	143	156
State Government	100	108	106	138	157	235
Federal Government	100	113	136	147	156	169
Private Gifts	100	110	119	131	168	148
Endowment Income	100	123	127	152	178	201
All Other Revenues[2]	100	99	103	126	145	159
Sub-total, Educational and General	100	113	125	137	153	162
Auxiliary Enterprises	100	109	119	126	135	148
Total Revenues[3]	100	112	124	135	149	158
Two-Year Colleges						
Tuition and Fees	100	108	129	144	155	174
State Government	---	---	---	---	---	---
Federal Government	100	112	152	156	160	178
Private Gifts	100	113	129	136	156	181
Endowment Income	100	85	93	109	112	132
All Other Revenues[2]	100	144	151	188	214	218
Sub-total, Educational and General	100	111	129	143	157	177
Auxiliary Enterprises	100	109	117	128	136	149
Total Revenues[3]	100	111	126	139	152	170
Six Types of Institutions Combined						
Tuition and Fees	100	109	125	137	152	167
State Government	100	122	123	145	144	159
Federal Government	100	111	122	129	139	152
Private Gifts	100	109	114	127	143	154
Endowment Income	100	106	111	122	132	146
All Other Revenues[2]	100	120	132	152	176	199
Sub-total, Educational and General	100	110	121	133	146	160
Auxiliary Enterprises	100	108	120	131	139	153
Total Revenues[3]	100	112	122	133	146	161

[1]Excludes athletics.

[2]Includes departmental sales and services, contributed services, and other revenues.

[3]Includes hospitals and independent enterprises.

TABLE 31

CHANGE IN SELECTED CURRENT FUND REVENUES AND EXPENDITURES, PER STUDENT, CONSTANT DOLLARS[1], 1973-74 THROUGH 1978-79

		Index Numbers: 1973-74 = 100					
		1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Research Universities							
Revenues:	Tuition and Fees	100	98	101	104	107	113
	Educational and General	100	99	97	98	100	105
	Total Revenue	100	99	98	99	101	108
Expenditures:	Instruction	100	97	94	95	100	100
	Research	100	99	95	95	91	102
	Educational and General	100	99	97	98	99	105
	Total Expenditure	100	99	97	99	100	107
Doctorate-Granting Universities							
Revenues:	Tuition and Fees	100	98	101	105	111	112
	Educational and General	100	99	99	102	108	106
	Total Revenue	100	99	101	105	110	110
Expenditures:	Instruction	100	102	105	108	107	101
	Research	100	93	95	90	99	108
	Educational and General	100	100	102	105	108	107
	Total Expenditure	100	100	102	106	110	110
Comprehensive Universities and Colleges							
Revenues:	Tuition and Fees	100	98	98	102	103	103
	Educational and General	100	98	97	104	104	106
	Total Revenue	100	98	97	103	103	104
Expenditures:	Instruction	100	100	99	102	101	101
	Research	100	99	94	109	125	142
	Educational and General	100	101	100	105	106	107
	Total Expenditure	100	101	100	105	105	105
Liberal Arts Colleges I							
Revenues:	Tuition and Fees	100	95	96	98	99	98
	Educational and General	100	95	95	98	96	95
	Total Revenue	100	95	95	98	96	95
Expenditures:	Instruction	100	96	95	94	94	93
	Research	100	101	94	96	65	47
	Educational and General	100	97	96	96	96	94
	Total Expenditure	100	97	96	96	96	94

TABLE 31 (Continued)

		Index Numbers: 1973-74 = 100					
		1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Liberal Arts Colleges II							
Revenues:	Tuition and Fees	100	99	100	101	101	99
	Educational and General	100	102	102	104	108	102
	Total Revenue	100	101	101	103	106	101
Expenditures:	Instruction	100	95	95	98	97	92
	Research	100	59	47	44	35	52
	Educational and General	100	99	98	99	100	98
	Total Expenditure	100	99	99	99	99	96
Two-Year Colleges							
Revenues:	Tuition and Fees	100	98	101	105	104	107
	Educational and General	100	101	101	104	104	109
	Total Revenue	100	101	98	101	101	104
Expenditures:	Instruction	100	99	97	98	97	104
	Research	--	---	---	---	---	---
	Educational and General	100	101	98	102	102	106
	Total Expenditure	100	101	98	101	101	104
Six Types of Institutions Combined							
Revenues:	Tuition and Fees	100	98	101	104	107	111
	Educational and General	100	99	98	101	103	105
	Total Revenue	100	101	99	101	103	107
Expenditures:	Instruction	100	98	96	99	102	101
	Research	100	95	91	91	87	98
	Educational and General	100	100	99	101	102	105
	Total Expenditure	100	100	99	101	102	106

[1]Deflated using Consumer Price Index of the U.S. Bureau of Labor Statistics.

revenues about kept pace with the rise in prices and the growth in student load. One significant detail is that the fairly large rise in revenue per student for the Comprehensive Universities and Colleges was due partly to a flat enrollment trend as compared with the other types of institutions.

Table 32 displays the percentage distribution of revenues by sources. In recent years, as in the past, the sources have changed little from year to year. Among the trends to be noted are the declining percentages from tuition and from federal and state government.

An examination of differences among the six types of institutions in the sources of their revenue in 1978-79 is of interest. As shown in table 32, the Research Universities are notable for their low dependence on tuition and their high reliance on the federal government. The Comprehensive Universities and Colleges derive an exceptional percentage of their funds from tuition. The Research Universities and the Liberal Arts Colleges I enjoy a relatively large proportion of income from endowments. The Liberal Arts Colleges II and the Two-Year Colleges receive an exceptional proportion of their funds from private gifts. In the case of the Two-Year Colleges, nearly one-fourth of their revenue comes from this source.

It is difficult to generalize about the revenue situation as it bears upon the financial condition of the independent universities and colleges. The basic fact is that revenues on the whole have been keeping pace with the combined rate of enrollment growth and inflation. The slight decline in percentage of funds from the federal government is of concern especially for the Research Universities and the Doctorate-Granting Universities. Also the decline in deflated Educational and General Revenues for the Liberal Arts Colleges I is of genuine concern. However, from the data we have gathered, it appears that no dramatic change in the financial situation occurred over the period 1977-78 to 1978-79. Conditions may have deteriorated very slightly; certainly they have not improved very much.

Current Fund Expenditures

The trends of expenditures by functions differ somewhat among the various categories of institutions (table 33), but on the whole the percentage allocations of expenditures remain relatively constant from year to year (table 34). This constancy of percentage allocations for various purposes merely reflects the practice in most institutions of shaping each annual budget using across-the-board increases. On the whole, the modest changes in allocation do not reveal very much about the financial condition of the institutions, though they are of general interest.

However, there is one relatively small change in allocation that is important. It is the tendency for increases in Educational and General Expenditures to be slightly larger than increases for expenditures for Instruction. This phenomenon shows up in tables 31 and 33. It holds for all types of institutions and for all combined. These data suggest that costs are rising in the non-instructional budgets faster than in the instructional budgets, and that over time an ever lower proportion of budgets

TABLE 32

PERCENTAGE DISTRIBUTION OF CURRENT FUND REVENUES
1974-75 THROUGH 1978-79

	Percent of Total Revenues[1]				
	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Research Universities					
Tuition	22%	23%	23%	23%	23%
State Government	2	2	2	2	1
Federal Government	26	25	24	23	23
Private Gifts	11	10	10	11	11
Endowment Income	10	9	9	10	10
All Other Revenues	9	9	9	10	10
Sub-total, Educational and General	79	78	78	78	77
Auxiliary Enterprises	7	8	8	7	7
Other[2]	14	15	15	15	16
Total Revenues	100	100	100	100	100
Doctorate-Granting Universities					
Tuition	45	46	46	45	46
State Government	2	2	2	1	1
Federal Government	13	13	12	11	10
Private Gifts	9	8	8	8	8
Endowment Income	4	3	3	3	3
All Other Revenues	7	7	7	8	8
Sub-total, Educational and General	80	79	78	77	76
Auxiliary Enterprises	13	13	13	12	13
Other[2]	7	8	9	9	9
Total Revenues	100	100	100	100	100
Comprehensive Universities and Colleges					
Tuition	61	61	61	59	58
State Government	2	2	2	1	1
Federal Government	7	7	7	7	9
Private Gifts	6	6	7	7	6
Endowment Income	4	4	4	5	5
All Other Revenues	3	3	3	3	3
Sub-total, Educational and General	83	83	83	82	82
Auxiliary Enterprises	17	17	17	17	17
Total Revenues	100	100	100	100	100
Liberal Arts Colleges I					
Tuition	50	50	49	50	50
State Government	1	1	1	1	1
Federal Government	3	3	2	3	3
Private Gifts	10	11	14	11	10
Endowment Income	11	10	10	10	11
All Other Revenues	4	4	3	4	4
Sub-total Educational and General	78	78	79	79	79
Auxiliary Enterprises	22	22	21	21	21
Total Revenues	100	100	100	100	100

TABLE 32 (Continued)

	Percent of Total Revenues[1]				
	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Liberal Arts Colleges II					
Tuition	49%	50%	49%	46%	47%
State Government	2	2	2	2	2
Federal Government	7	7	7	8	9
Private Gifts	12	12	12	15	13
Endowment Income	3	3	3	3	3
All Other Revenues	4	3	3	3	3
Sub-total, Educational and General	76	76	76	77	77
Auxiliary Enterprises	24	24	23	22	22
Total Revenues	100	100	100	100	100
Two-Year Colleges					
Tuition	37	39	39	33	38
State Government	1	1	1	0	1
Federal Government	5	6	6	5	5
Private Gifts	25	25	24	25	26
Endowment Income	2	2	2	2	2
All Other Revenues	6	6	7	6	5
Sub-total, Educational and General	76	78	78	76	76
Auxiliary Enterprises	24	22	22	24	23
Total Revenues	100	100	100	100	100
Six Types of Institutions Combined					
Tuition	33	34	36	33	33
State Government	2	2	2	2	1
Federal Government	19	18	17	17	17
Private Gifts	11	10	10	11	11
Endowment Income	8	7	7	8	8
All Other Revenues	7	7	7	8	8
Sub-total, Educational and General	79	78	78	78	77
Auxiliary Enterprises	12	12	12	11	11
Other[2]	9	10	10	10	11
Total Revenues	100	100	100	100	100

[1] Percentages may not add to 100 because of rounding or omitted items.

[2] Includes hospitals and independent operations.

TABLE 33

CHANGE IN CURRENT FUND EXPENDITURES, 1973-74 TO 1978-79

	Index Numbers: 1973-74 = 100					
	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Research Universities						
Instruction	100	109	118	128	145	153
Research	100	112	119	128	132	155
Public Service	100	108	119	122	127	134
Academic Support	100	114	130	145	151	164
Student Services	100	112	121	132	136	164
Institutional Support	100	120	130	147	168	183
Plant Operation and Maintenance	100	116	126	140	150	184
Sub-total, Educational and General	100	111	122	133	145	160
Auxiliary Enterprises	100	108	118	128	134	138
Total Expenditures[1]	100	111	122	133	145	162
Doctorate-Granting Universities						
Instruction	100	113	127	141	147	155
Research	100	104	115	118	137	165
Public Service	100	90	134	139	169	164
Academic Support	100	111	125	136	162	180
Student Services	100	113	118	134	148	159
Institutional Support	100	108	115	130	148	167
Plant Operation and Maintenance	100	115	126	141	146	157
Sub-total, Educational and General	100	111	124	137	149	163
Auxiliary Enterprises	100	109	118	127	139	156
Total Expenditures[1]	100	111	125	139	152	168
Comprehensive Universities and Colleges						
Instruction	100	109	119	127	138	152
Research	100	108	113	136	171	214
Public Service	100	159	243	246	295	336
Academic Support	100	111	119	136	150	156
Student Services	100	107	117	128	142	155
Institutional Support	100	113	126	134	148	169
Plant Operation and Maintenance	100	112	120	134	148	165
Sub-total, Educational and General	100	110	120	131	144	161
Auxiliary Enterprises	100	111	118	127	134	148
Total Expenditures[1]	100	110	120	130	142	158

TABLE 33 (Continued)

	Index Numbers: 1973-74 = 100					
	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Liberal Arts Colleges I						
Instruction	100	107	115	123	132	145
Research	100	112	114	126	91	73
Academic Support	100	109	121	137	153	162
Student Services	100	112	122	128	137	150
Institutional Support	100	107	110	109	113	125
Plant Operation and Maintenance	100	110	123	138	148	161
Sub-total, Educational and General	100	108	117	126	135	147
Auxiliary Enterprises	100	109	117	127	137	148
Total Expenditures[1]	100	108	117	126	135	147
Liberal Arts Colleges II						
Instruction	100	105	117	129	137	145
Research	---	---	---	---	---	---
Academic Support	100	119	124	136	150	170
Student Services	100	107	118	127	138	149
Institutional Support	100	114	117	129	144	158
Plant Operation and Maintenance	100	114	123	137	150	169
Sub-total, Educational and General	100	110	120	131	142	155
Auxiliary Enterprises	100	108	121	127	136	144
Total Expenditures[1]	100	110	121	130	140	152
Two-Year Colleges						
Instruction	100	109	124	134	146	168
Research	---	---	---	---	---	---
Academic Support	100	112	123	138	144	171
Student Services	100	110	126	141	151	173
Institutional Support	100	111	125	142	161	179
Plant Operation and Maintenance	100	112	125	137	155	173
Sub-total, Educational and General	100	111	126	140	154	174
Auxiliary Enterprises	100	111	121	132	141	155
Total Expenditures[1]	100	111	125	139	152	170
Six Types of Institutions Combined						
Instruction	100	102	105	120	133	142
Research	100	109	116	124	129	148
Public Service	100	107	127	129	139	144
Academic Support	100	113	127	141	152	175
Student Services	100	111	120	132	139	161
Institutional Support	100	116	125	139	157	173
Plant Operation and Maintenance	100	114	124	137	147	173
Sub-total, Educational and General	100	111	122	133	145	160
Auxiliary Enterprises	100	109	118	128	136	144
Total Expenditures[1]	100	111	122	133	145	161

[1]Includes mandatory transfers.

TABLE 34

PERCENTAGE DISTRIBUTION OF EDUCATIONAL AND GENERAL EXPENDITURES[1]
1974-75 THROUGH 1978-79

	Percent of Total Expenditures[2]				
	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Research Universities					
Instruction	38%	38%	39%	40%	38%
Research	27	27	26	24	26
Public Service	1	1	1	1	1
Academic Support	14	14	14	13	13
Student Services	3	3	3	3	3
Institutional Support	8	8	9	10	10
Plant Operation and Maintenance	8	8	9	8	9
Total	100	100	100	100	100
Doctorate-Granting Universities					
Instruction	49	51	51	48	47
Research	11	11	11	10	12
Public Service	1	1	1	2	1
Academic Support	10	10	10	13	13
Student Services	5	6	6	6	6
Institutional Support	12	11	11	12	12
Plant Operation and Maintenance	11	10	10	9	9
Total	100	100	100	100	100
Comprehensive Universities and Colleges					
Instruction	51	51	49	47	47
Research	5	4	5	6	7
Public Service	1	1	1	1	1
Academic Support	8	8	9	10	10
Student Services	7	7	8	8	8
Institutional Support	15	16	15	16	16
Plant Operation and Maintenance	12	12	12	11	11
Total	100	100	100	100	100
Liberal Arts Colleges I					
Instruction	48	46	47	48	48
Research	1	1	1	1	--
Academic Support	9	9	9	10	9
Student Services	10	12	10	11	11
Institutional Support	18	17	18	17	17
Plant Operation and Maintenance	13	14	15	14	14
Total	100	100	100	100	100
Liberal Arts Colleges II					
Instruction	43	45	45	45	44
Public Service	--	--	--	1	1
Academic Support	9	8	8	8	8
Student Services	12	13	12	12	12
Institutional Support	23	22	22	22	22
Plant Operation and Maintenance	12	13	14	13	13
Total	100	100	100	100	100

TABLE 34 (Continued)

	Percent of Total Expenditures[2]				
	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Two-Year Colleges					
Instruction	42%	42%	42%	41%	42%
Public Service	--	--	--	3	2
Academic Support	10	10	10	8	8
Student Services	13	13	13	12	12
Institutional Support	20	20	20	21	21
Plant Operation and Maintenance	15	15	15	15	15
Total	100	100	100	100	100
Six Types of Institutions Combined					
Instruction	42	42	43	43	41
Research	18	18	18	16	18
Public Service	1	1	1	1	1
Academic Support	12	12	12	12	12
Student Services	5	5	5	5	5
Institutional Support	11	11	12	13	13
Plant Operation and Maintenance	10	10	10	9	10
Total	100	100	100	100	100

[1]Omits scholarships and fellowships and mandatory transfers.

[2]Percentages may not add to 100 due to rounding.

are assigned to instruction. From this one may infer that faculty salaries are not keeping pace with other costs and are bearing a disproportionate share of the current financial stringency. We regard the consistent tendency for instructional costs to rise more slowly than other costs to be an indication of financial weakness.

In any given year, there are substantial differences among the six types of institutions in the allocation of Educational and General Funds (table 34). The Research and Doctorate-Granting Universities assign a relatively high percentage to research, public service, and to academic support (which includes computers, libraries, etc.); the other smaller institutions allocate a relatively high percentage to student services (which includes admissions), to institutional support (which includes administration), and to plant operation and maintenance, and to student aid.[1] Remarkably, the percentage devoted to instruction is roughly similar for all types of institutions.

Conclusions

From the analysis of current fund revenues and expenditures some tentative conclusions about the financial position and progress of independent higher education may be drawn.

1. During the period 1973-74 through 1978-79 current revenues approximately kept pace with combined effects of inflation and enrollment growth. This was a major accomplishment. However, for current revenues merely to keep pace with enrollment growth and inflation allowed little room for improvement of faculty and staff compensation beyond the cost of living increases. Indeed, in years of double-digit inflation the institutions were not able to raise faculty and staff compensation in pace with increases in the cost of living. Thus, academic compensation fell behind the increase of average wages and salaries for the national labor force and the competitive position of higher education in the labor market deteriorated. Moreover, there was little room for improvement in educational programs and quality except as these could be squeezed into constrained budgets.

2. The distribution of revenues from various sources remained relatively constant over the past five years.

3. The allocation of expenditures among various purposes has been stable and suggests that annual budgeting occurs on the basis of across-the-board increases.

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[1] Not shown in table 34.

4. The financial situation in recent years as revealed by data on the current fund has changed, if at all, only marginally. There are, however, a few signs of greater stringency but few, if any, indications of improvement. There has, however, been no financial debacle.

CHAPTER VI

UNDERGRADUATE STUDENT FINANCIAL AID

A major factor in the staying power of the independent sector of American higher education has been the growth of funds for student financial aid. Enrollments--though not the sole source of revenue--are the financial foundation of both public and independent colleges and universities. Enrollments bring with them both tuitions and appropriations for the public institutions and relatively high tuitions for the independent institutions. Enrollments are strongly influenced by aid to students, and the finances of institutions are greatly improved to the extent that this aid can be derived from outside sources rather than being a drain on institutional funds.

We have examined in detail the flow of funds from major sources of student financial assistance--both inside and outside. Over the years we hope to be able to show trends in the sources and types of funds. For the present, we have been able to obtain continuous data only for the two years 1977-78 and 1978-79.[1]

Student aid comes in a great variety of forms and from many sources. The following is a list of the principal types of aid together with the acronyms by which they are known:

Grants: aid for which no work or repayment is expected.

Work-study: aid for which the student is expected to exchange labor.

Loans: aid, usually at preferred interest rates, which the student is expected to repay.

State Aid: grants awarded or funded by a state.

BEOG: Basic Educational Opportunity Grant, a federal grant program

SEOG: Supplemental Educational Opportunity Grant, a federal program providing campus-based student aid with awards determined by the institution.

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[1] These data are not comparable with similar data presented in the 1978 report, pp. 69-73.

LEEP: Law Enforcement Education Program, a federal Program.

Unrestricted Funds: student aid expenditures from unrestricted general funds of institutions.

CWSP: College Work-Study Program of which up to 80 percent is financed by the Federal Government and at least 20 percent by institutional or other matching funds.

Student Payroll: students employed by the institution.

NDSL: National Direct Student Loans, 89 percent financed by the Federal Government and 11 percent by institutional matching funds.

FISL-GSL: Federally Insured Student Loans, a federal guaranteed program insuring money loaned by other lenders.

The Data

The data are presented in three tables, 35, 36, and 37. These data are expressed as medians. For example, in table 35 the percentage distributions refer to median institutions. Therefore, in tables 35 and 36, the percentage distributions do not necessarily add to 100 percent.

Table 35 describes the sources of student aid funds as reported by the institutions. These data are probably incomplete because institutions do not have information on all the sources of aid received by their students, particularly for those students who do not apply for aid from or through the institutions. The table indicates that for all types of institutions combined, about two-fifths of the aid comes from the institutions themselves, about two-fifths from the Federal Government, and less than one-fifth from state and local governments. The various categories of institutions differ in the percentage of aid derived from their own funds. The percentage is relatively high in the case of the Research and Doctorate-Granting Universities and Liberal Arts Colleges I.

Table 36 shows the distribution of student aid by form of aid. It indicates that about three-fourths is in the form of grants, and that the remainder is divided about evenly between loans and work. The Research and Doctorate-Granting Universities appear to place greater emphasis on loans than the other types of institutions.

Table 37 provides a variety of information for assessing the role of student aid in the financial affairs of independent colleges and universities. It shows that financial aid increased in 1978-79 over 1977-78 by 10 percent in total dollars, by 3 percent in number of recipients, and by 6 percent in the amount of average awards. Over the same period, the rate of inflation was about 11 percent. Thus, considering the increase in number of recipients, student aid did not keep pace with inflation.

TABLE 35

PERCENTAGE DISTRIBUTION OF STUDENT AID DOLLARS[1] BY SOURCES, MEDIAN INSTITUTIONS, 1978-79

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Institutional Funds						
Restricted Endowment Income and Current Gifts[2]	9%	6%	18%	3%	4%	7%
Unrestricted Funds[3]	40	32	38	21	21	33
Sub-total[4]	49	38	56	24	25	40
Funds of State and Local Government	9	22	9	20	12	16
Federal Funds						
BEOG	7	12	9	20	28	13
SEOG	4	4	5	7	6	5
Other[5]	21	24	16	20	22	21
Sub-total[4]	32	40	30	47	56	39
Grand Total[6]	100	100	100	100	100	100

[1]All funds known to the institutions--grants, loans, and work from all sources--for undergraduates.

[2]Funds restricted to student aid.

[3]Rough approximation. Includes grants, CWSP, student employment on regular payroll, and loans. This figure was computed as a residual by subtracting the restricted funds from the sub-total. In view of the fact that the data are medians, this procedure would not produce an accurate figure.

[4]Based on direct information from the institutions. Not computed by adding the components.

[5]Includes federal share of CWSP and NDSL contribution and all other federal programs of grants, work, or loans. Computed as a residual and therefore an approximation.

[6]Because the data are medians, the components do not necessarily add to 100.

TABLE 36

PERCENTAGE DISTRIBUTION OF STUDENT AID DOLLARS[1] BY TYPE OF AID PROGRAM, MEDIAN INSTITUTIONS, 1978-79

	Research and Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Five Types of Institutions Combined
Grants to Students	70%	73%	75%	74%	77%	72%
Loans to Students	17	13	13	11	8	13
Student Employment	13	10	12	16	13	13
Total	100	100	100	100	100	100

[1]All funds known to the institutions--grants, loans, and work from all sources--for undergraduates.

[2]Components are medians and do not necessarily add to 100.

TABLE 37

BASIC DATA ON STUDENT FINANCIAL AID,
MEDIAN INSTITUTIONS, ALL TYPES OF INSTITUTIONS COMBINED

	Percentage Change in Total Dollars for Student Aid 1977-78 to 1978-79	Student Aid as Percentage of E & G Expenditures 1978-79[1]	Student Aid Recipients as Percentage of All Students, 1978-1979[2]	Percentage Change in Number of Recipients 1977-78 to 1978-79	Average Award per Recipient 1978-1979	Percentage Change in Average Award 1977-78 to 1978-79	Average Award as Percentage of Average Student Budget 1978-79
Grants							
Institutional, restricted funds	9%	3%	18%	7%	$ 789	2%	14%
Institutional, unrestricted funds	9	5	22	6	956	2	17
Total	9	8	39	6	928	2	16
Government, all programs	14	7	31	10	955	5	17
All Grants[3]	11	17	79	8	1,009	3	18
Loans							
Institutional	-11	0	15	2	71	-12	1
Government, NSDL	5	3	12	2	836	3	14
All Loans[3]	5	3	15	1	835	3	14
Student Employment							
Institutional, Student Payroll	6	2	12	6	516	3	7
College Work Study Program	13	1	13	7	589	8	10
All Work[3]	8	2	17	4	577	6	10
Total Financial Assistance[4]	10	23	51	3	1,981	6	34

[1]E & G refers to Educational and General Expenditures. [2]Head Count.

[3]These numbers involve double-counting of individuals who received aid from more than one source.

[4]All funds known to the institutions--grants, loans, and work--for undergraduates. These data refer to unduplicated recipients.

Table 37 also points up the financial importance of student aid. About half the students receive aid from some source, the average award is $1,981 per year, and the combined awards average 34 percent of the student budgets. These funds do not all flow to the institutions. Some are used for general living expenses, travel, books, etc., but much of the money flows to the institutions in the form of tuitions and room and board charges. More important, these funds enable students to be present on the campus who would not otherwise be able to attend.

Conclusions

The dramatic development of student aid over recent decades has had a profound impact on all of American higher education and especially on the independent sector. The decision of the federal and state governments to enter the field in a big way has resulted in a massive flow of funds to the institutions via students. It has enabled the independent institutions to stabilize their own expenditures for student aid as a percentage of total student aid and to reduce the share from unrestricted institutional funds. Recent developments on the student aid front have on the whole been favorable to financial progress of the institutions.

CHAPTER VII

ASSETS, LIABILITIES, AND NET WORTH

In this chapter, we present data on the balance sheets of independent colleges and universities. The data include assets, liabilities, and fund balances. The latter represent assets minus liabilities, and correspond to net worth in a profit-making enterprise. The data were obtained from careful analyses of the audited financial statements of the sample of institutions and were weighted to produce estimates for the entire population of independent institutions. We were able to produce comparable data for all fiscal years from 1969-70 through 1978-79.

Trends in Assets, Liabilities, and Fund Balances

Changes in the consolidated balance sheets of the sample of institutions for the period from 1969-70 are shown in tables 38 to 44. Focusing on table 38, which shows the balance sheet figures for all types of institutions combined, net assets increased by 62 percent, liabilities increased by 69 percent, and fund balances increased by 63 percent. The period under review was one of rapid inflation--especially the later years --and the consumer price index increased by 86 percent. Also enrollment in the independent institutions grew by 15 percent. The combined increase of the general price level and enrollment was 114 percent. Neither assets nor liabilities grew at anything like this rate. This is not surprising, however. Most assets are carried on the books at original acquisition value and not revalued in current dollars. And liabilities shown in the balance sheet are fixed obligations for which the dollar amounts do not change with fluctuations in the price level. In fact, during an inflationary period the relative burden of any given amount of debt tends to decline. What may be significant in table 38 is that total liabilities increased over the period from 1969-70 by 69 percent whereas total assets and total fund balances increased by 62 and 63 percent. Moreover in the past two years, this difference in rate of growth widened. Liabilities increased by 21 percent, while assets increased by 13 percent. In view of the vagaries of accounting in an inflationary period, such small differences may be meaningless. But they probably indicate some degree of increasing financial pressure. The growth of interfund borrowing, which was 28 percent over the past two years, also suggests some financial tightness. However, rising interest rates would have encouraged interfund rather than outside borrowing.

Aggregate figures, particularly in view of the large amounts of assets and liabilities associated with a few universities, are not representative of balance sheet changes for different types of institutions.

TABLE 38

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, ALL TYPES OF INSTITUTIONS COMBINED, END OF FISCAL YEARS 1969-70 TO 1978-79
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	108	118	128	139	146	154	168	182	207
Endowment	100	104	111	118	121	121	127	136	146	156
Plant	100	106	113	118	125	130	136	140	148	157
Other	100	113	125	137	147	159	172	187	208	226
Total Assets	100	106	113	119	126	130	136	143	152	162
Interfund Borrowing	100	106	123	125	143	128	138	143	157	183
Net Assets	100	106	113	119	125	130	136	143	152	162
Liabilities:										
Current	100	109	118	131	141	153	169	175	178	207
Plant	100	106	116	117	122	123	126	126	141	156
Other	100	121	133	146	169	174	185	201	239	254
Total Liabilities	100	108	118	121	129	132	138	140	153	169
Fund Balances:										
Current	100	106	117	124	136	139	137	159	175	204
Endowment	100	104	111	117	120	120	126	136	145	154
Plant	100	106	112	118	125	132	138	144	151	159
Loan	100	113	127	142	151	163	176	185	199	223
Annuity and Life Income	100	115	124	131	139	156	172	193	250	299
Total Fund Balances	100	106	112	119	125	129	136	144	153	163

Tables 39 to 44 show trends in assets, liabilities, and net worth for each of the six types of institutions. For convenience, these detailed tables are summarized by the following index numbers for 1978-79 (1969-70 = 100):

	Current Assets	Net Assets	Inter-Fund Borrowing	Total Liabilities	Current Liabilities	Fund Balances
Research Universities	199	158	333	308	247	149
Doctorate-Granting Universities	163	165	118	146	145	167
Comprehensive Universities and Colleges	197	163	132	132	189	173
Liberal Arts Colleges I	251	159	98	134	167	160
Liberal Arts Colleges II	175	166	268	151	226	175
Two-Year Colleges	326	183	533	164	383	195
All Six Types Combined	207	162	183	169	207	163

These figures suggest that over the past nine years the financial position of three types of institutions may have been deteriorating in some respects: the Research Universities, the Liberal Arts Colleges II, and the Two-Year Colleges. These institutions appear to have experienced relatively high increases in interfund borrowing and relatively rapid growth of current liabilities. The Research Universities also showed a relatively small increase in net assets.

To get a bearing on more recent trends, similar analyses may be made for the past two years comparing data for 1976-77 and 1978-79. Index numbers for 1978-79 (with 1976-77 = 100), as computed from the data in tables 39 to 44, are shown as follows:

	Current Assets	Net Assets	Inter-Fund Borrowing	Total Liabilities	Current Liabilities	Fund Balances
Research Universities	127	114	139	125	117	113
Doctorate-Granting Universities	121	115	102	109	111	116
Comprehensive Universities and Colleges	138	113	138	112	129	114
Liberal Arts Colleges I	103	112	93	120	119	110
Liberal Arts Colleges II	115	112	131	112	120	113
Two-Year Colleges	119	117	132	118	127	117
All Six Types Combined	123	113	128	121	118	113

In evaluating these figures, it may be helpful to take note of the Consumer Price Index which rose 19 percent during the two-year period 1976-77 to 1978-79. The differences among the types of institutions were less extreme in the recent two-year period than over the longer seven-year period. There were no major changes that indicated serious financial deterioration over the past two years. Institutions of all types appeared to be on a fairly

TABLE 39

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, RESEARCH UNIVERSITIES, END OF FISCAL YEARS, 1969-70 TO 1978-79
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	109	115	125	142	160	157	157	169	199
Endowment	100	105	111	116	115	117	122	130	139	147
Plant	100	105	112	117	121	126	135	140	148	157
Other	100	112	122	136	146	160	176	191	214	234
Total Assets	100	106	112	118	122	126	133	140	149	160
Interfund Borrowing	100	106	132	152	152	175	221	240	277	333
Net Assets	100	106	112	118	121	126	132	139	148	158
Liabilities:										
Current	100	124	127	150	157	214	227	212	199	247
Plant	100	118	178	198	225	235	295	320	372	425
Other	100	110	120	142	148	165	175	184	214	218
Total Liabilities	100	118	145	166	181	208	238	246	271	308
Fund Balances:										
Current	100	104	110	116	137	141	132	138	160	183
Endowment	100	105	111	115	115	116	121	130	139	146
Plant	100	104	107	112	115	119	124	129	134	141
Loan	100	117	131	149	162	178	198	216	236	274
Annuity and Life Income	100	106	109	113	127	144	161	173	219	271
Total Fund Balances	100	105	110	114	117	120	125	132	140	149

TABLE 40

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, DOCTORATE-GRANTING UNIVERSITIES, END OF FISCAL YEARS 1969-70 TO 1978-79
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	101	113	107	106	113	135	135	151	163
Endowment	100	104	110	118	124	120	126	133	140	154
Plant	100	106	112	117	125	133	138	144	152	162
Other	100	106	116	137	150	164	179	193	205	230
Total Assets	100	105	112	117	124	128	136	142	151	163
Interfund Borrowing	100	81	113	95	97	99	116	116	109	118
Net Assets	100	106	112	118	125	130	137	143	152	165
Liabilities:										
Current	100	94	102	92	90	101	129	131	146	145
Plant	100	103	110	107	121	128	130	133	133	140
Other	100	99	92	125	185	133	198	171	236	246
Total Liabilities	100	100	107	103	113	119	133	134	142	146
Fund Balances:										
Current	100	121	143	145	147	147	150	145	163	205
Endowment	100	104	111	118	123	121	126	134	140	153
Plant	100	107	112	120	126	134	141	147	157	168
Loan	100	111	127	148	158	167	181	195	207	221
Annuity and Life Income	100	94	97	116	130	133	141	152	164	213
Total Fund Balances	100	106	113	121	127	131	137	144	153	167

TABLE 41

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, COMPREHENSIVE UNIVERSITIES AND COLLEGES, END OF FISCAL YEARS 1969-70 TO 1978-79
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	100	112	124	138	129	137	143	166	197
Endowment	100	99	107	108	114	116	122	134	146	156
Plant	100	108	116	122	126	133	137	142	149	156
Other	100	111	125	140	151	162	173	185	205	224
Total Assets	100	106	115	120	126	131	136	143	152	162
Interfund Borrowing	100	99	104	75	91	73	93	96	104	132
Net Assets	100	106	115	122	127	133	138	144	154	163
Liabilities:										
Current	100	90	104	110	125	126	139	147	166	189
Plant	100	109	117	115	116	116	114	112	116	119
Other	100	124	126	148	165	117	121	130	139	171
Total Liabilities	100	106	115	115	118	118	118	118	125	132
Fund Balances:										
Current	100	126	134	163	174	137	131	134	166	212
Endowment	100	99	106	107	114	118	123	137	149	159
Plant	100	108	115	124	131	140	147	154	162	171
Loan	100	113	127	142	153	164	177	189	205	221
Annuity and Life Income	100	103	113	118	122	124	133	144	196	215
Total Fund Balances	100	106	114	122	129	136	143	152	162	173

TABLE 42

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, LIBERAL ARTS COLLEGES I[illegible]
END OF FISCAL YEARS 1969-70 TO 1978-1979
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	107	141	150	154	157	162	243	261	251
Endowment	100	103	111	122	125	118	124	133	140	151
Plant	100	107	113	118	122	127	132	135	143	148
Other	100	110	119	117	129	143	156	171	190	209
Total Assets	100	105	114	121	125	125	131	140	149	156
Interfund Borrowing	100	104	119	127	142	109	107	105	94	98
Net Assets	100	105	113	120	124	126	132	142	152	159
Liabilities:										
Current	100	114	133	155	163	126	128	140	168	167
Plant	100	108	111	110	112	110	110	105	119	123
Other	100	116	135	173	163	149	139	144	173	202
Total Liabilities	100	109	115	119	121	114	114	112	129	134
Fund Balances:										
Current	100	99	151	144	145	190	201	359	363	341
Endowment	100	103	111	121	125	118	124	133	140	151
Plant	100	106	114	120	125	132	138	144	150	156
Loan	100	111	122	132	141	152	162	171	180	191
Annuity and Life Income	100	108	117	102	115	136	155	175	205	227
Total Fund Balances	100	105	113	121	125	127	134	145	152	160

TABLE 43

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, LIBERAL ARTS COLLEGES II,
END OF FISCAL YEARS 1969-70 TO 1978-79
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	108	108	120	125	126	144	152	157	175
Endowment	100	106	116	123	140	150	159	175	199	210
Plant	100	104	110	114	126	130	135	140	146	154
Other	100	120	135	154	160	170	180	196	228	230
Total Assets	100	106	113	119	130	135	142	149	159	168
Interfund Borrowing	100	127	139	153	200	189	188	204	236	268
Net Assets	100	105	112	118	129	134	141	148	158	166
Liabilities:										
Current	100	115	116	132	142	150	170	189	215	226
Plant	100	101	110	108	116	115	118	117	118	126
Other	100	191	223	159	281	311	319	403	509	500
Total Liabilities	100	105	114	113	124	125	131	135	143	151
Fund Balances:										
Current	100	88	83	85	77	58	68	44	25	41
Endowment	100	104	113	122	135	144	152	168	187	202
Plant	100	105	110	117	130	135	143	150	159	167
Loan	100	111	127	142	148	160	169	171	177	175
Annuity and Life Income	100	157	177	228	222	243	263	305	651	656
Total Fund Balances	100	106	112	120	133	139	146	155	166	175

TABLE 44

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, TWO-YEAR COLLEGES
END OF FISCAL YEARS 1969-70 TO 1978-79
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Assets:										
Current	100	149	161	189	201	235	275	274	304	326
Endowment	100	109	112	124	130	134	136	137	147	167
Plant	100	110	117	127	135	143	147	152	164	179
Other	100	113	128	143	150	161	181	187	191	200
Total Assets	100	112	119	131	139	148	154	159	171	187
Interfund Borrowing	100	141	255	295	295	345	400	404	478	533
Net Assets	100	112	118	129	137	145	151	156	168	183
Liabilities:										
Current	100	123	165	180	211	276	300	302	339	383
Plant	100	115	111	121	120	118	111	107	116	122
Other	100	97	105	73	93	162	185	208	195	325
Total Liabilities	100	116	120	130	134	143	142	139	152	164
Fund Balances:										
Current	100	205	152	210	178	143	218	209	209	109
Endowment	100	110	113	125	131	134	136	136	146	165
Plant	100	108	119	129	140	151	159	167	180	199
Loan	100	114	131	137	150	161	182	191	197	208
Annuity and Life Income	100	101	100	214	165	165	175	162	156	104
Total Fund Balances	100	111	119	131	140	149	159	166	178	195

steady course. Most types made reasonably good gains in assets and in fund balances--both over the past nine years and during the past two years as well.

Tables 45 and 46 display data on the percentage distribution of assets, liabilities, and fund balances. As we discovered in previous years' studies, this distribution remains quite stable from year to year.

Conclusions

The balance sheet analysis yielded no definitive results. The following observations might be made:

1. Over recent years, the growth in assets did not keep pace with inflation. This is understandable in view of the fact that the bulk of assets are carried at book value and are not adjusted from year to year for changes in the price level.

2. Liabilities increased somewhat more rapidly than the book value of assets. The significance of this is uncertain in view of the fact that book values do not fully reflect values in a period of inflation.

3. The slow, steady trend toward increasing fund balances (net worth) accelerated in recent years from a rate of about 5 percent a year to 6 or 7 percent, but did not keep pace with inflation.

4. For some types of institutions, some possible weaknesses showed up. For example, over the past decade, the relatively rapid growth of current liabilities and interfund borrowing among the Research Universities, the Liberal Arts Colleges II, and the Two-Year Colleges may be cited.

5. The changes in assets, liabilities, and net worth were small during the past two years. Our main impression is one of stability. On the basis of these data one could not say that private higher education on the whole is gaining ground; neither could one say positively that it is losing ground.

TABLE 45

PERCENTAGE DISTRIBUTIONS OF ASSETS, LIABILITIES, AND FUND BALANCES, ALL TYPES OF INSTITUTIONS COMBINED, END OF FISCAL YEARS, 1975-76 TO 1978-79

	1975-76	1976-77	1977-78	1978-79
Assets:				
Current	8.8%	8.6%	8.5%	9.0%
Endowment	34.0	34.5	35.1	35.0
Plant	51.0	50.4	49.9	49.4
Other	6.3	6.5	6.6	6.6
Total Assets	100.0	100.0	100.0	100.0
Interfund Borrowing	2.1	2.1	2.3	2.5
Net Assets	97.9	97.9	97.7	97.5
Liabilities:				
Current	29.1	27.2	24.8	26.0
Plant	60.1	60.7	58.4	58.5
Other	11.8	12.0	16.9	15.5
Total Liabilities	100.0	100.0	100.0	100.0
Fund Balances:				
Current	5.3	5.4	5.5	5.9
Endowment	39.7	40.2	40.3	40.1
Plant	49.3	48.6	48.7	48.3
Loan	4.3	4.4	4.3	4.4
Annuity and Life Income	1.3	1.4	1.4	1.5
Total Fund Balance	100.0	100.0	100.0	100.0

TABLE 46

PERCENTAGE DISTRIBUTIONS OF ASSETS, LIABILITIES, AND FUND BALANCES, BY TYPES OF INSTITUTIONS, END OF FISCAL YEARS, 1975-76 TO 1978-79

	Research Universities				Doctorate-Granting Universities				Comprehensive Universities and Colleges			
	1975-1976	1976-1977	1977-1978	1978-1979	1975-1976	1976-1977	1977-1978	1978-1979	1975-1976	1976-1977	1977-1978	1978-1979
Assets:												
Current	9.9%	9.4%	8.9%	9.7%	9.9%	9.5%	9.8%	9.9%	6.3%	6.2%	6.6%	7.4%
Endowment	40.1	40.7	40.8	40.2	28.5	28.8	28.4	28.8	16.9	17.8	20.5	20.6
Plant	44.0	43.7	44.2	43.8	55.6	55.6	55.6	55.0	69.7	68.7	65.0	63.9
Other	6.1	6.2	6.2	6.2	6.0	6.1	6.1	6.3	7.1	7.3	8.0	8.2
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interfund Borrowing	1.5	1.5	2.0	2.3	3.5	3.3	3.0	3.0	1.9	1.8	2.4	2.8
Net Assets	98.5	98.5	98.0	97.7	96.5	96.7	97.0	97.0	98.1	98.2	97.6	97.2
Liabilities:												
Current	31.5	28.5	23.3	25.5	33.9	34.0	34.1	32.9	20.2	21.3	22.1	23.8
Plant	48.0	50.5	53.8	54.1	59.1	60.1	57.3	58.4	77.3	76.1	73.4	71.0
Other	20.6	21.0	22.9	20.5	7.0	6.0	8.6	8.7	2.5	2.6	4.5	5.2
Total Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Fund Balances:												
Current	6.9	6.8	6.9	7.4	3.8	3.5	4.1	4.7	2.3	2.1	2.8	3.3
Endowment	45.3	45.9	45.9	45.4	34.9	35.4	34.3	34.4	21.6	22.5	25.3	25.3
Plant	43.5	42.8	42.9	42.3	54.8	54.5	55.2	54.2	67.5	66.7	62.9	66.2
Loan	3.5	3.6	3.5	3.8	4.6	4.7	4.6	4.5	7.5	7.5	7.5	7.6
Annuity and Life Income	.9	.9	0.9	1.0	2.0	2.0	1.9	2.2	1.2	1.2	1.5	1.6
Total Fund Balance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 46 (Continued)

	Liberal Arts Colleges I				Liberal Arts Colleges II				Two-Year Colleges			
	1975-1976	1976-1977	1977-1978	1978-1979	1975-1976	1976-1977	1977-1978	1978-1979	1975-1976	1976-1977	1977-1978	1978-1979
Assets:												
Current	5.0%	6.9%	7.2%	6.6%	7.2%	7.1%	6.4%	6.7%	9.8%	9.5%	8.4%	8.3%
Endowment	38.5	38.5	37.1	38.1	15.8	16.3	17.6	17.8	8.2	8.2	8.4	8.7
Plant	50.4	48.3	48.7	48.1	67.8	67.2	66.7	66.6	77.4	77.8	78.8	78.9
Other	6.2	6.3	6.9	7.2	9.2	9.4	9.4	8.9	4.6	4.6	4.4	4.2
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interfund Borrowing	3.5	3.2	2.9	2.9	3.6	3.7	3.2	3.4	3.2	3.2	3.1	3.2
Net Assets	96.5	96.8	97.1	97.1	96.4	96.3	96.8	96.6	96.8	96.8	96.9	96.8
Liabilities:												
Current	17.5	19.5	21.2	20.4	23.5	24.4	24.4	24.4	33.9	35.0	32.2	33.6
Plant	79.1	77.0	71.2	71.0	72.6	71.0	66.6	67.2	64.8	63.6	67.1	65.2
Other	3.3	3.5	7.7	8.7	3.9	4.6	9.0	8.4	1.3	1.4	0.7	1.1
Total Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Fund Balances:												
Current	3.3	5.4	5.3	4.7	1.7	1.3	0.8	1.3	3.1	2.9	1.0	0.5
Endowment	43.5	43.1	42.3	43.3	20.1	21.0	22.2	22.7	10.4	10.1	11.0	11.3
Plant	46.6	44.8	45.5	44.9	66.2	65.8	66.8	66.4	80.9	81.4	82.5	83.0
Loan	3.5	3.4	3.7	3.7	10.0	9.8	8.0	7.5	5.0	5.0	5.2	5.0
Annuity and Life Income	3.1	3.3	3.3	3.5	2.0	2.1	2.1	2.0	0.5	0.5	0.4	0.2
Total Fund Balance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

CHAPTER VIII

FINANCIAL RATIOS

A great deal of effort has been focused in recent years on the discovery of ratios or formulas which would reveal quickly and accurately the financial condition of colleges and universities. We have moved cautiously in the development and use of such ratios.

The condition of any institution or groups of institutions rest on many intangible factors which defy quantification. The ability of a college or university to survive and to progress depends, for example, on the capacity to attract students, the latent ability to raise money, the qualifications and loyalty of faculty and staff, the quality and commitment of the board and administrative leaders, the public reputation, the excellence of the program, the capacity to adjust to changing social conditions affecting the educational mission and methods, the condition of the physical plant, the willingness of constituencies to rise to emergencies, etc., etc. These intangible factors are reflected imperfectly if at all in accounting statements expressed in dollars. Yet these intangibles are true assets of an institution. Without these intangibles, an institution would be derelict regardless of its financial data and despite the various ratios that may be derived from them. With these intangibles, an institution may survive and progress even though the financial data may show that it is bankrupt. Indeed, in the five years we have been studying the independent sector, we have learned that colleges and universities have enormous intangible reserves which account for their remarkable staying power. Therefore, we have tried to temper our financial data with other kinds of information reflecting these intangible factors.

Even a seemingly simple concept such as "operating deficit" or "operating surplus" as an indicator of financial distress or soundness, is not as straightforward as frequently assumed. The amount of deficits or surpluses is often determined by managerial decisions or governing board rules as to the allocation of gifts between current operations on the one hand and capital, endowment, or reserves on the other. Frequently, institutions show deficits in the same year when they accumulate large reserves or capital or endowment funds; or they show surpluses in the same year when they draw down capital through failure to provide adequate reserves or failure to maintain physical assets.

An important question relating to the interpretation of deficits is the amount of current gifts that may be prudently assigned to current operating revenues. In table 47 we show that in 1978-79 the six groups of institutions obtained the following percentages of total revenues from private gifts:

Research Universities	9%
Doctorate-Granting Universities	8%
Comprehensive Universities and Colleges	6%
Liberal Arts Colleges I	10%
Liberal Arts Colleges II	13%
Two-Year Colleges	26%

The judgment of the authors is that substantial dependence or a large increase in dependency on current giving may be a signal of possible financial weakness. Such dependency may invite future trouble if economic conditions should worsen or if the attitudes of donors should turn sour. It may represent a mortgaging of the future because it diverts fund-raising efforts from the accumulation of endowment and physical capital. However, we are not prepared to argue that institutions should use no gift income for current operations, and we recognize that prudent amounts may vary among institutions according to the commitment and dependability of their donors and according to the amount of resources held in reserve.

Dollar magnitudes and ratios--when used in moderation and when the limitations are understood--can be helpful in appraising the condition of colleges and universities. For example, surpluses or deficits are not wholly meaningless. Most institutions try very hard to balance their current budgets. A deficit is usually (though not always) a sign of at least temporary stringency. And persistent deficits are almost always a sign of financial distress. Similarly, ratios of liabilities to the assets to pay them off may be significant. But such data never tell the whole story, and their interpretation in a mechanical fashion can be misleading. Just as no experienced businessman would acquire a company merely by reading its accounting statements (without reference to its earning power, patents, technological know-how, market position, quality of management, labor relations, competition, etc.), no observer of higher education would judge the condition of any college or university merely on the basis of its financial records. Nevertheless, we have been gradually refining the art of financial data acquisition for academic institutions and have introduced in each of our reports a few financial ratios. With this report, we venture a step further in what remains a primitive art of financial analysis in higher education.

Selected Financial Ratios: Trends

In tables 47, 48, and 49 nine financial ratios (expressed as percentages) are shown for all types of institutions combined and for the six types separately. These data cover the years 1976-77 through 1978-79. Similar but not wholly comparable ratios were shown in our 1978 report (pp. 85-91) for the years 1973-74 to 1976-77. The following paragraphs describe the several ratios and provide comments on trends in the ratios as shown in table 47.

1. Total Liabilities as Percentage of Total Assets. This percentage reflects the degree to which institutions have equity in their assets, and correlates negatively with the degree of their indebtedness. The liabilities are net of interfund borrowing. As shown in table 47 this percentage has been improving (declining) slowly.

2. Current Liabilities as Percentage of Current Assets. This percentage measures the ability of institutions to pay off liabilities that will mature soon by means of assets that can be liquidated in the near future. This percentage has been erratic as current liabilities and assets tend to fluctuate from year to year. The figure in 1978-79 was less favorable than in 1976-77 but better than that in 1977-78. In any case the changes were not large.

3. Current External Liabilities as Percentage of Current Liquid Assets. This percentage represents the most severe test of institutional ability to pay off current liabilities. The liabilities included are net of interfund borrowing and the assets are those readily liquidated. This percentage was slightly less favorable in 1978-79 than in 1976-77.

4. Current Plant Liabilities as Percentage of Investment in Plant. This percentage expresses the debt due to be paid in the near future and related to the acquisition of land, buildings, and major equipment relative to the book value of these same assets. The percentage has been improving over the past two years.

5. Net Total Revenue as Percentage of Total Revenue. Net revenue refers to the revenue left over after all expenses have been paid. It is comparable to net profit from operations in a profit-making enterprise. In a not-for-profit college or university, it is a source of additional reserves. This percentage has been growing--a favorable sign.

6. Net Educational and General Revenue as Percentage of Total E & G Revenue. The percentage is similar to the preceding item except that it excludes revenue from auxiliary enterprises. This percentage has also been growing.

7. Net Auxiliary Revenue as Percentage of Total Auxiliary Revenue. This percentage is similar to the two preceding items except that it refers only to auxiliary enterprises such as residence halls, bookstores, student unions, etc. This item increased substantially during 1978-79.

TABLE 47

SELECTED FINANCIAL RATIOS, MEDIAN INSTITUTIONS,
SIX TYPES OF INSTITUTIONS COMBINED,
END OF FISCAL YEARS, 1976-77 TO 1978-79

	1976-77	1977-78	1978-79
1. Total net liabilities as percentage of total net assets	17.4%	17.2%	16.1%
2. Current liabilities as percentage of current assets	66.7	74.3	69.5
3. Current external liabilities as percentage of current liquid assets	66.7	69.6	68.6
4. Current plant liabilities as percentage of investment in plant	21.9	21.5	20.8
5. Total net revenue as percentage of total revenue	1.1	1.7	2.0
6. Net E & G revenue as percentage of total E & G revenue[1]	2.7	2.9	3.7
7. Net auxiliary revenue as percentage of auxiliary revenue	1.4	1.2	2.9
8. Total unrestricted fund balances as percentage of total expenditures	16.3	14.2	9.7
9. Current liquid assets as percentage of total expenditures	12.4	12.0	13.1

[1] E & G refers to Educational and General revenues.

8. Total Unrestricted Fund Balances as Percentage of Total Expenditures. This percentage indicates the amount of unencumbered net worth (at book value), relative to the amount of total expenditures. In a time of inflation expenditures tend to increase more rapidly than the book value of net worth. Therefore, in the past two years, this percentage has inevitably fallen off sharply, and as a result the assets available to pay obligations have diminished relative to expenditures. However, this may be less serious than it might seem because inflation may have increased the true value of assets above the book value at the same time that it has increased spending. It is likely, nevertheless, that true net worth has not increased as fast as expenditures and that some financial strength has been eroded away.

9. Current Liquid Assets as Percentage of Total Expenditures. This percentage, which compares readily available assets with expenditures, has improved in the past year.

When all these financial ratios shown in table 47 are considered, the result is generally favorable. All but three of the ratios (numbers 2, 3, and 8) improved. The change in numbers 2 and 3 was small and was favorable during the most recent year. The only ratio which exhibited a clear downward trend was number 8, and this change was inevitable in a time of rapid inflation when the book value of assets could hardly be expected to keep pace with total expenditures. In our opinion, these ratios do not give cause for alarm but rather suggest soundness and remarkable staying power in a time of horrendous inflation.

Table 48 presents the same set of ratios for each of the six types of institutions. As would be expected, there are some differences among the various types. The Research Universities and the Liberal Arts Colleges I and II experienced growth in total liabilities relative to assets (items 1 and 2), and Two-Year Colleges experienced a decline in net revenue relative to total revenues (item 5). However, allowing for sampling error and for some randomness in the fluctuations of these ratios, one can only conclude that these data do not suggest dire financial deterioration. They even allow a degree of optimism. They reveal that the independent institutions of all types have withstood inflation remarkably well.

Selected Financial Ratios: Comparisons for 1978-79

The ratios shown in tables 47 and 48 permit comparisons as of 1978-79 among the six types of institutions. For convenience in making the comparisons the data have been assembled in table 49. It is clear from this table that the two categories of institutions with the weakest financial position are the Liberal Arts Colleges II and the Two-Year Colleges. The strongest group is the Liberal Arts Colleges I.

TABLE 48

SELECTED FINANCIAL RATIOS, MEDIAN INSTITUTIONS,
BY TYPES OF INSTITUTIONS,
END OF FISCAL YEARS, 1976-77 TO 1978-79

	1976-77	1977-78	1978-79
Research Universities			
1. Total net liabilities as percentage of total net assets	12.0	12.9	13.3
2. Current liabilities as percentage of current assets	41.0	40.2	46.9
3. Current external liabilities as percentage of current liquid assets	60.1	41.3	27.3
4. Current plant liabilities as percentage of investment in plant	12.8	14.3	14.4
5. Net revenue as percentage of total revenue	0.5	0.8	1.4
6. Net E & G revenue as percentage of total E & G revenue	1.0	1.7	1.9
7. Net auxiliary revenue as percentage of auxiliary revenue	-0.5	-1.6	1.6
8. Total unrestricted fund balances as percentage of total expenditures	23.3	19.6	14.9
9. Current liquid assets as percentage of total expenditures	11.4	12.7	16.3
Doctorate-Granting Universities			
1. Total net liabilities as percentage of total net assets	18.0	16.5	14.6
2. Current liabilities as percentage of current assets	71.1	77.0	68.2
3. Current external liabilities as percentage of current liquid assets	90.5	78.0	68.6
4. Current plant liabilities as percentage of investment in plant	21.9	20.6	19.7
5. Net revenue as percentage of total revenue	0.8	1.6	2.0
6. Net E & G revenue as percentage of total E & G revenue	1.4	3.4	3.6
7. Net auxiliary revenue as percentage of auxiliary revenue	5.0	-0.1	2.6
8. Total unrestricted fund balances as percentage of total expenditures	16.3	17.5	16.0
9. Current liquid assets as percentage of total expenditures	20.5	21.0	18.4

TABLE 48 (Continued)

	1976-77	1977-78	1978-79
Comprehensive Universities and Colleges			
1. Total net liabilities as percentage of total net assets	18.9	17.7	16.6
2. Current liabilities as percentage of current assets	69.5	70.3	65.3
3. Current external liabilities as percentage of current liquid assets	61.7	74.0	75.1
4. Current plant liabilities as percentage of investment in plant	25.0	23.1	22.7
5. Net revenue as percentage of total revenue	1.9	1.8	3.0
6. Net E & G revenue as percentage of total E & G revenue	3.6	3.6	5.2
7. Net auxiliary revenue as percentage of auxiliary revenue	-2.8	-0.3	-1.3
8. Total unrestricted fund balances as percentage of total expenditures	21.4	17.1	17.3
9. Current liquid assets as percentage of total expenditures	11.8	11.8	12.7
Liberal Arts Colleges I			
1. Total net liabilities as percentage of total net assets	7.4	9.3	9.8
2. Current liabilities as percentage of current assets	38.1	43.1	38.3
3. Current external liabilities as percentage of current liquid assets	29.9	32.4	32.4
4. Current plant liabilities as percentage of investment in plant	13.3	14.9	15.2
5. Net revenue as percentage of total revenue	1.6	3.2	4.0
6. Net E & G Revenue as percentage of total E & G revenue	3.4	4.9	5.2
7. Net auxiliary revenue as percentage of auxiliary revenue	0.5	0.2	0.7
8. Total unrestricted fund balances as percentage of total expenditures	39.0	21.6	18.5
9. Current liquid assets as percentage of total expenditures	22.9	15.9	16.0

TABLE 48 (Continued)

	1976-77	1977-78	1978-79
Liberal Arts Colleges II			
1. Total net liabilities as percentage of total net assets	22.0	22.4	23.1
2. Current liabilities as percentage of current assets	85.6	99.6	94.1
3. Current external liabilities as percentage of current liquid assets	113.1	110.1	98.9
4. Current plant liabilities as percentage of investment in plant	28.5	26.8	26.0
5. Net revenue as percentage of total revenue	0.7	1.3	1.4
6. Net E & G revenue as percentage of total E & G revenue	2.0	1.7	2.3
7. Net auxiliary revenue as percentage of auxiliary revenue	4.7	1.3	6.9
8. Total unrestricted fund balance as percentage of total expenditures	0.2	0.7	0.8
9. Current liquid assets as percentage of total expenditures	10.4	10.8	11.6
Two-Year Colleges			
1. Total net liabilities as percentage of total net assets	16.1	17.2	16.8
2. Current liabilities as percentage of current assets	91.7	132.1	150.6
3. Current external liabilities as percentage of current liquid assets	100.0	139.6	163.5
4. Current plant liabilities as percentage of investment in plant	16.9	17.1	16.8
5. Net revenue as percentage of total revenue	1.0	1.2	-0.3
6. Net E & G revenue as percentage of total E & G revenue	2.1	0.1	1.2
7. Net auxiliary revenue as percentage of auxiliary revenue	5.2	11.1	4.1
8. Total unrestricted fund balance as percentage of total expenditures	4.4	7.2	0.0
9. Current liquid assets as percentage of total expenditures	9.9	6.0	8.4

TABLE 49

SELECTED FINANCIAL RATIOS, MEDIAN INSTITUTIONS, BY TYPES OF INSTITUTIONS, END OF FISCAL YEAR 1978-79[1]

	Research Universities	Doctorate-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Two-Year Colleges	Six Types of Institutions Combined
1. Total net liabilities as percentage of total net assets	13.3%	14.6%	16.6%	9.8%	23.1%	16.8%	16.1%
2. Current liabilities as percentage of current assets	46.9	68.2	65.3	38.3	94.1	150.6	69.5
3. Current external liabilities as percentage of current liquid assets	27.3	68.6	75.1	32.4	98.9	163.5	68.6
4. Current plant liabilities as percentage of investment in plant	14.4	19.7	22.7	15.2	26.0	16.8	20.8
5. Net revenue as percentage of total revenue	1.4	2.0	3.0	4.0	1.4	-0.3	2.0
6. Net E & G revenue as percentage of total E & G revenue	1.9	3.6	5.2	5.2	2.3	1.2	3.7
7. Net auxiliary revenue as percentage of auxiliary revenue	1.6	2.6	-1.3	0.7	6.9	4.1	2.9
8. Total unrestricted fund balances as percentage of total expenditures	14.9	16.0	17.3	18.5	0.8	0.0	9.7
9. Current liquid assets as percentage of total expenditures	16.3	18.4	12.7	16.0	11.6	8.4	13.1

[1]Data taken from table 48.

Conclusions

The study of financial ratios has yielded the following conclusions:

1. The strength and the survival value of colleges and universities depend largely on intangible assets such as the ability to attract students, the latent capacity to raise money, the commitment and qualifications of the leadership, and many others. These intangibles are reflected imperfectly in accounting records. Therefore, caution is advised in drawing definite conclusions from financial data. Nevertheless, financial records are a necessary part of the analysis of institutional strength or weakness.

2. As revealed in the nine ratios presented, the independent sector as a whole has been holding steady during recent years. However, one critical ratio, book value of unrestricted fund balances relative to total expenditures, slipped drastically. This was unavoidable in a period of rapid inflation because expenditures are affected immediately by a rise in the general price level, whereas the book value of assets change only slowly during such a period.

3. The financial ratios from the several types of institutions moved differently over recent years. The greatest financial strength was shown by the Liberal Arts I institutions, the least by the Liberal Arts II institutions, and the Two-Year Colleges.

4. In our 1978 report we reported that the Research Universities, which control exceptionally large amounts of resources, had experienced an unfavorable trend in the ratios of liabilities to assets. We ascribed that trend to reduction in federal funding for university-based research. Our more recent data indicate that the Research Universities have continued to experience an increase in liabilities relative to assets.

CHAPTER IX

ANALYSIS OF THE CONDITION OF INSTITUTIONS INDIVIDUALLY

The previous sections of this report described the condition of the independent sector as a whole or of sub-groups within the independent sector. The information presented was in the form of consolidated totals or medians describing trends in the position of groups of institutions. These data did not reveal the considerable variability among institutions. In this chapter, we report on our assessment of the condition of institutions considered individually. For this purpose we have augmented the sample to a total of 273 institutions including those reporting from the original sample of 135 institutions and others for which data were available to us.

Methods of Assessing Financial Position and Progress

First, we assembled critical information for each institution indicating its relative "strength" as of 1977-78 and 1978-79. For this purpose we used the following data:

Item	Characteristic Measured
Endowment fund balance per FTE student	Financial independence
Ratio of total assets to total liabilities	Debt burden
Ratio of current assets to current liabilities	Liquidity
Total current revenue per FTE student	Adequacy of revenues
Total assets (less interfund borrowing) per FTE student	Adequacy of assets

Those institutions were classified as "strong" which in our judgment had resources per student sufficient to mount high-quality programs and were not burdened with exceptional indebtedness. At the other extreme, those institutions were classified as "weak" which had minimal resources per student and relatively heavy indebtedness. Between the extremes were those institutions which were neither exceptionally strong nor exceptionally weak.[1]

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[1] For the methodology, see Appendix C of the 1978 report.

Second, we assembled data for each institution on changes over the past six years and over the past four years in critical factors affecting financial and educational strength. For the purpose we used the following data:

Item	Characteristic Measured
Percentage change in endowment fund balance	Financial independence
Percentage change in total revenues	Adequacy of revenues
Percentage change in FTE enrollment	Capacity to attract and hold students
Change in ratio of total assets to total liabilities	Debt burden
Change in ratio of current assets to current liabilities	Liquidity
Change in ratio between overall surplus or deficit and net revenue	Surplus or deficit

Using the data on change (over the four years and over the past two years) we divided the institutions into three categories: those gaining ground, those holding their own, and those losing ground.[1]

With these procedures, we were able to place each institution in a matrix expressing both its current position and the direction in which it is heading. As would be expected, we found some currently strong institutions which seemed to be gaining ground. And, as would be expected, we found considerable variability among the institutions.

Findings

The resulting classifications of institutions are presented in table 50. From this table the following conclusions may be reached:

1. The distribution of institutions, according to their present condition and recent trends in that condition changed very little over the last two years. From the data in table 50, one could scarcely conclude that any pronounced deterioration occurred.

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[1]For the methodology, see Appendix C of the 1978 report.

TABLE 50

PERCENTAGE OF INSTITUTIONS, BY ESTIMATED CURRENT CONDITION AND ESTIMATED RECENT TREND IN CONDITION, 1977-78 AND 1978-79

Type of Institution and Current Condition	Estimated Recent Trend in Condition: Gaining Ground 1977-78	Gaining Ground 1978-79	Holding Steady 1977-78	Holding Steady 1978-79	Losing Ground 1977-78	Losing Ground 1978-79	Total 1977-78	Total 1978-79
Research Universities (n=12):								
Strong	8%	0%	92%	92%	0%	8%	100%	100%
Middle	0	0	0	0	0	0	0	0
Weak	0	0	0	0	0	0	0	0
Total	8	0	92	92	0	8	100	100
Doctoral-Granting Universities (n=14):								
Strong	0	7	93	79	0	0	93	86
Middle	0	0	7	14	0	0	7	14
Weak	0	0	0	0	0	0	0	0
Total	0	7	100	93	0	0	100	100
Comprehensive Universities and Colleges (n=48):								
Strong	2	6	23	23	4	4	29	33
Middle	2	15	54	42	0	2	56	58
Weak	2	2	10	2	2	4	15	8
Total	6	23	88	67	6	10	100	100
Liberal Arts Colleges I (n=55):								
Strong	5	5	44	44	9	9	58	58
Middle	2	4	27	25	2	4	31	33
Weak	0	2	7	4	4	4	11	9
Total	7	11	78	73	15	16	100	100
Liberal Arts Colleges II (n=109):								
Strong	4	3	6	12	3	3	12	17
Middle	8	8	21	23	7	9	37	40
Weak	13	11	32	24	6	7	51	42
Total	25	22	59	59	17	19	100	100
Two-Year Colleges (n=35):								
Strong	6	9	0	3	11	9	17	20
Middle	9	3	9	11	6	9	23	23
Weak	17	11	20	23	23	23	60	57
Total	31	23	29	37	40	40	100	100
Six Types Combined (Weighted, n=273):								
Strong	4	5	16	20	5	5	26	29
Middle	6	7	22	22	5	7	34	36
Weak	10	8	22	17	9	9	41	35
Total	21	20	60	59	19	21	100	100

2. Institutions do move in and out of the "losing ground" category. Losing ground financially in one year does not signify continued decline nor probable extinction. We estimate that only about 7 to 10 percent of the institutions losing ground are chronic cases in the sense that they declined in two consecutive years.

Institutional Mortality

Information on the mortality of independent colleges and universities is gathered by Dr. Virginia Fadil, Executive Director of the National Institute of Independent Colleges and Universities. Her latest figures have been made available to us. They show that over the period from January 1, 1970 to July 1, 1979, 141 accredited institutions ceased operation, 44 were merged with other independent institutions, and 19 shifted to public sponsorship. The details are as follows:

	Four-Year Institutions	Two-Year Institutions	Specialized Institutions	Total
Number closed	57	45	39	141
Number merged	24	9	11	44
Number becoming public	6	9	4	19
Number of new institutions	34	10	32	76

Dr. Fadil indicates that during the past five years, closings have occurred at the rate of 10 or 12 a year. During 1978-79, the number of closings was 12. It happens that in the sample of 127 institutions included in the present study, not one has disappeared during the five years that the study has been in progress.

In interpreting these figures, it is important to recognize that there has long been turnover among private institutions. Throughout American history, the appearance and disappearance of colleges and universities has been commonplace. Hundreds of institutions have come and gone. Most of the mortality has involved institutions that never took firm root, and that disappeared soon after their founding. The past decade has been notable principally because the number of new independent institutions founded has declined, while the mortality has occurred mainly among the relatively large number of institutions that were founded in recent decades but never became firmly established.

There have been many predictions that numerous independent institutions would expire. But so far the number of closings has not been exceptional, and there have been very few well-established institutions that have closed. Certainly there have been no Penn-Centrals, Lockheeds, or Chryslers within higher education. This is not to deny that hard times may lie ahead. We do not try to predict the future. But the data on institutional mortality of recent years suggest resiliency rather than vulnerability.

CHAPTER X

SUMMARY AND CONCLUDING OBSERVATIONS

This report is the fifth in an annual series designed to provide timely and reliable information on the condition of the independent sector of American higher education. The report is based on comprehensive information gathered from a carefully chosen sample of 127 independent colleges and universities. The sample is representative of all independent, nonprofit, accredited institutions except free-standing professional schools such as theological seminaries and music conservatories.

The series of reports provides data covering the period beginning in the year 1969-70 and extending to 1978-79 for financial data and to 1979-80 for most other data. However, because of a change in the official classification of accounts, fully comparable data on revenues and expenditures are available only for the years 1973-74 through 1978-79.

Each chapter of this report contains a concluding summary statement. Hence this final chapter concentrates on overall interpretation of the findings.

Findings for the Independent Sector as a Whole

Enrollment. The enrollment trend among independent institutions has been slowly but steadily upward. This trend continued through 1979-80 and held for all types of institutions. The mix of students has changed over time toward increasing proportions of graduate, professional, part-time, and adult students, and decreasing proportions of full-time undergraduate students. The absolute number of undergraduate students, however, has not declined. There have been no notable changes in the qualifications of new undergraduate students as measured by rank in high school and test scores. The test scores of students admitted to the independent sector have fallen about in proportion to the nation-wide decline in these scores. Increasing competitiveness in the recruitment of students is indicated by the steady decrease in the ratio of new students enrolled to admissions staff. Student attrition has changed little.

Faculty and Other Staff. The number of faculty members has been keeping pace with enrollment or perhaps moving slightly ahead of enrollment. There has been no observable retrenchment in size of faculty. Faculty turnover, which had been about constant for several years, has shown some change. There appears to be an increase in new appointments and a decline in separations. Faculty compensation which had been nearly keeping pace with inflation during most of the 1970s, lost substantial ground during the recent period of rapid inflation. Faculty compensation

also failed by an even larger margin to keep pace with remuneration in the general labor force. The percentage of faculty on tenure held about steady. The percentage of new faculty appointments who are women or part-time personnel increased slowly. The number of administrative staff increased substantially while the number of general service staff declined slightly. The compensation of administrative and general service staff increased somewhat more rapidly than that of faculty but did not keep pace with inflation. The personnel situation generally does not suggest retrenchment in numbers of a kind that reflects devastating financial stringency. However, faculty and other staff--particularly faculty--appear to be bearing the main burden of tight finances. When institutions cannot muster the funds to keep up with inflation, the principal adjustment takes place in faculty and staff compensation rather than in number of staff or in purchased goods and services. This is not to say that there is no retrenchment, only that there is little and that the main burden falls on the compensation of personnel. Continuation of this practice in the long run would endanger the main asset of any college or university, its people.

Educational Program. As reported by the institutions, the qualifications, competence, and performance of faculties are improving. Though the potential ability of students as measured by test scores and rank in high school class is holding fairly steady, their secondary preparation is unsatisfactory and their interest in liberal learning (as contrasted to specific vocational preparation) is far less than ideal. These changes in students are, of course, reflective of nation-side trends and do not imply that the independent sector of higher education is at fault. However, the decline of interest in liberal learning, if sustained, could have a serious impact upon them. Innovation in methods of instruction appears to be common and the institutions report gains in general quality of instruction. Many institutions are expanding student services and few are contracting them. Most institutions report that in academic excellence and student services they are "holding their own" or "gaining ground". In general, the institutions report overwhelmingly that overall performance is not deteriorating, that little important retrenchment is taking place, and that the level of confidence and morale remains adequate. We notice little change from previous years in the status of the institutions as perceived by their own administrators and faculty.

Operating Revenues and Expenditures. Current revenues and expenditures approximately kept pace with the combined increases in the Consumer Price Index and in enrollment. This was a major accomplishment though it left little room for upgrading programs or adding new programs. The distribution of revenues among sources and of expenditures among purposes remained fairly constant. There was, however, a downward drift in the percentage from the federal government and from endowment income. These are probably unfavorable changes. On the whole, the current financial situation has changed little over recent years.

Student Financial Aid. A favorable factor in recent years has been the growth in amount of student aid funds from the federal government. This has enabled the institutions to reduce or stabilize their own expenditures for student aid. At this writing, the future of federally financed student aid is uncertain.

Assets, Liabilities, and Net Worth. Changes in balance sheets are difficult to interpret in a period of inflation. Apparently, over the last two years, total liabilities grew a bit faster than total assets, and current liabilities a bit faster than current assets. Also, interfund borrowing appeared to be on the increase for some types of institutions. The higher interest rates of recent years may have encouraged this development. The meaning of these changes in the ratio of liabilities to assets is unclear because assets are carried on the balance sheets at book value and do not immediately reflect the impact of inflation. Our main impression from the balance sheet data is that no underlying changes of consequence have occurred. All but a few institutions appear to be "holding their own" or "gaining ground" in financial strength.

The Condition of Institutions Individually

The proportion of institutions that we judged to be "losing ground" increased from 19 percent in 1977-78 to 21 percent in 1978-79. This is hardly a major change. A handful of institutions indicated that they were in danger of expiring in the foreseeable future--though 8 percent of the presidents said their institutions were "losing ground" financially. As shown in Table 50, we judge that about one-fifth were "losing ground". However, some of the institutions that were losing ground were currently strong and some of the institutions that were currently weak were gaining ground. The more serious cases were those which were both currently weak and losing ground. These held steady at 9 percent of the total in 1976-77 and in 1978-79. These institutions were concentrated within the Liberal Arts Colleges and the Two-Year Colleges, though there were a few among the Comprehensive Universities and Colleges.

In the 1978 report, we concluded:

> Even though the independent sector taken as a whole has held fairly steady, we think the proportion of institutions in a precarious position increased in 1976-77. We do not think the change was sufficient to sound all alarms but the ratchet was tightened by a notch or two.

Two years have elapsed since we wrote those words, and our conclusion is still about the same. The independent sector as a whole has held steady. There has been considerable flux among the institutions as each has pursued its particular destiny and faced its particular problems. Some have gained ground, some have lost ground, and many have held steady. Institutions that were previously losing ground have regained their equilibrium; others that previously showed signs of strength have encountered hard times. But overall, the situation has not changed markedly though it may have worsened just a bit.

In general, the greatest financial strength lies in the Liberal Arts Colleges I and the least in the Liberal Arts II institutions and the Two-Year Colleges.

Deferred Maintenance of Physical and Human Capital

The data and opinions we receive from the institutions indicate year after year that most are holding their own. And this information is corroborated by many independent statistical sources as well as by the reports of site visitors and accreditation bodies and by our own personal observation of many institutions and our conversations with many educational leaders. We believe the institutions are indeed telling the truth--not only in the audited financial data they provide but also in the opinions they share with us.

There is one area of cost, however, which is not adequately represented in either the data or the opinions. It is depreciation of assets. Most institutions do not charge depreciation in their accounts and many institutional leaders do not recognize it psychologically in appraising the condition of their institutions. The information we receive is as favorable as it is because of the failure to recognize or report a slow and seemingly inexorable using up of capital. This consumption of capital takes many forms:

Deferred maintenance of buildings, grounds, equipment
Deferred replacement of worn-out or obsolete assets
Drawing down of reserves
Using for current operations gifts which should have gone into endowments
Failure to replenish the library collection
Failure to maintain inventories
Failure to purchase new equipment to overcome obsolescence
Inability to keep faculty and staff compensation growing in proportion to the salaries and wages of the national labor force and, thus endangering the quality of staff in the next generation.

The effects of the financial tightening during the 1970s have been not so much to curtail or to impoverish current operations--though they have done some of that. The effects have been the using up of physical and human capital in ways that if uncorrected will eventually bring about a slow deterioration of independent higher education. In particular, a large part of the financial exigency of the past decade has been shifted to the faculty and staff in the form of inadequate increases in compensation. The burden of inflation has been put where it does not belong and where in the long run it will produce inestimable damage. If this inadequacy is not corrected, it will ultimately produce a decline in the amount of human talent and initiative attracted to higher education, a steady attrition of morale, and general weakening of educational and scholarly effectiveness.

It is difficult to place a dollar figure on this deterioration of physical and human capital. There are no ready statistics to inform us as to the number of dollars needed to bring the physical assets of higher education up to par. And there are no data to tell us what amount of compensation would be needed to maintain the faculty and staff in the long run at an acceptable level of performance.

In our judgment, the amount of deferred maintenance of physical and human capital runs to many billions of dollars. In another study conducted

by one of the authors, it was estimated that if American higher education (public and independent) had operated in 1979-80 at a level comparable to that which had been achieved in 1969-70, the additional cost, over and above actual expenditures in 1979-80, would have been at the very least $5 billions. And this would not have included any allowance for catchup of the deferred maintenance. Such estimates are, of course, conjectural. But the inevitable conclusion is that the remarkably stable financial position of the independent sector of higher education has been bought with substantial indebtedness to the future in the form of deferred maintenance of assets, both physical and human. This indebtedness does not show up in the accounting statements of the institutions and is perhaps not fully recognized by institutional leaders.